Austria ... Sch. 18	Indonesia .. Rp 2600	Portugal ... Esc 80
Bahrain .. Din.0.650	Italy ...... L 1300	S. Arabia .. Rls 6.00
Belgium ... BFr 38	Japan Y550	Singapore . S$ 4.10
Canada ... C$2.00	Jordan ... Fils 500	Spain .... Pts 110
Cyprus ... C£0.60	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark ... Dkr 7.25	Lebanon ... £L 6.00	Sweden .. Skr 6.50
Egypt .... E£1.00	Luxembourg . LFr 38	Switzerland SFr 2.20
Finland .. Fmk 6.00	Malaysia .. Rm 4.25	Taiwan ... NT $85
France .. FFr. 6.00	Mexico .. Pes. 300	Tunisia .. Din 0 600
Germany . DM 2.20	Morocco .. Dh 6.80	Turkey .... L 210
Greece ..... Dr 70	Netherlands . Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong .. HK$ 12	Norway .. Nkr. 8.00	U.S.A. $1.50
India .... Rup. 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,578 — Tuesday March 19 1985 — D 8523 B

Budget deficits do not always hurt, Page 22

World news

Reagan renews summit offer

President Ronald Reagan expressed a willingness to hold immediate summit talks with the Soviet Union's new leader, Mikhail Gorbachev.

The offer come a week after he hinted at the possibility of talks and, indicating that he expects a reply from Moscow, added that "the ball is in their court."

Speaking in Quebec, the President added a sharp denunciation of certain Soviet policies. Page 5

Genscher warning

Hans-Dietrich Genscher, the West German Foreign Minister, gave veiled support to controversial reservations about the proposed U.S. star wars programme recently expressed by his British counterpart, Sir Geoffrey Howe.

Herr Genscher warned that the ties that bind the U.S. with Western Europe should be developed through "close and trusting consultations" and that the two partners "should not be decoupled through technological innovation." Page 3

'Reckless' pilot

The pilot of an Iberian airliner which crashed near Bilbao last month, killing all 148 people aboard, had a "reckless style" and needed "something more than a refresher course before being allowed to fly," according to an inspector's report.

Moroccan build-up

King Hassan vowed to spend $1bn developing Morocco's armed forces during the next five years. He was speaking in the Western Sahara where Morocco has been fighting guerrillas for the past nine years. Page 6

Embassy closed

The British Embassy in Lebanon closed its office in West Beirut, following the kidnapping of two Britons and an American in the area. Page 6

Jewish appeal

Soviet Jews in Israel appealed to the new Soviet leader, Mikhail Gorbachev, to stop what they called the Kremlin's anti-Jewish policy and to allow freer Jewish emigration.

Singapore blast

An explosion, believed to have been caused by a bomb, shook a building in Singapore housing the Israeli and Canadian diplomatic missions. No one was injured.

China clampdown

China announced plans to stamp out the growing black market in foreign currency and to reduce speculative trading in scarce products. Page 6

Paper rescue plan

The International Federation of Journalists proposed the establishment of a fund to rescue the South African newspaper, the Rand Daily Mail, from closure after heavy losses.

Off the rails

An apparent attempt to cross the East German border by driving a lorry along a railway track failed when the driver took a wrong turning and hit the buffers.

Township riots

Four black South Africans died in renewed rioting in several townships.

Philatelic fortune

A rare 19th century German stamp printed on the wrong colour paper was sold in an auction in Wiesbaden for DM 2.3m ($682,250) to an anonymous U.S. collector.

Business summary

Sweden to admit foreign banks

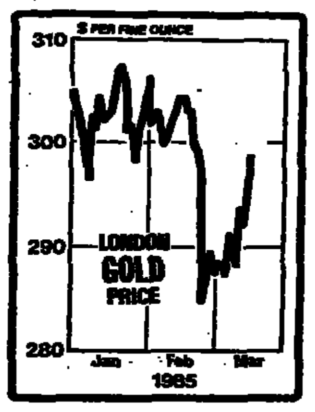
SWEDEN is to allow foreign banks to set up local subsidiaries from early next year, under legislation proposed by the Finance Ministry. Page 24

WALL STREET: By 3pm, the Dow Jones industrial average was up 1.44 at 1,248.79. Section III

In New York, the Comex April settlement was $303.80. Page 44

DOLLAR fell sharply in London, closing at DM 3.34 (DM 3.377), FFr 10.195 (FFr 10.31), SwFr 2.84 (SwFr 2.8755) and Y259.85 (Y260.5). On Bank of England figures, the dollar's exchange index fell to 153.9 from 154.7. Page 45

STERLING climbed 2.25 cents against the dollar in London to finish at $1.1065. It also advanced to DM 3.695 (DM 3.66), FFr 11.3275 (FFr 11.165), SwFr 3.145 (SwFr 3.115) and Y287.5 (Y282.25). The pound's exchange rate index rose 1.0 to 73.0. Page 45



GOLD gained $4.25 on the London bullion market to close at $298.75. It also improved in Zurich to $298.25. Page 44

LONDON: Equities slipped but gilts edged higher. The FT Ordinary index closed 7.1 down at 995.4. Section III

TOKYO: Strong financial issues took share prices higher amid slack trading. The Nikkei-Dow market average rose 19.26 to 12,506.64. Section III

MORGAN GRENFELL, Britain's largest merchant bank still in private hands, decided to defer plans for a public listing in London. Page 25; results, Page 29, Lex, Page 24.

ALLIED IRISH Banks has bought the 77 per cent interest in Credit Finance Bank owned by Insurance Corporation of Ireland. Page 30

SAUDI ARABIA said it was delaying work on two oil refinery projects, in a move seen as heralding further government spending cuts.

BRITISH ELECTRIC Traction, the laundry, transport and construction group, won the backing of Initial, Britain's largest laundries group for its revised £170m ($187m) takeover bid. Page 28

PROPOSED merger of the steel divisions of Klöckner-Werke and Krupp is now being blocked by the conservative administration of the West German state of Lower Saxony, according to Herr Herbert Gienow, Klöckner chairman. Page 25

EMERSON Electric, the St Louis-based electrical group, has agreed to take over Automatic Switch, a smaller U.S. electrical components group, in a $380m share swap. Page 25

SALZGITTER, the state-owned West German steel, shipbuilding and engineering group reported net losses of DM 422m ($127m) last year. Page 26

LINDE, the West German engineering and industrial gases group, is to lift its dividend to DM 10 from DM 9 after a strong performance last year. Page 25

BANCO de Galicia y Buenos Aires, the Argentinian bank, is to close its London office because of poor business resulting from the Falklands war and the economic situation in Latin America. Page 25

Mubarak and Hussein fly to Baghdad for talks

BY ROGER MATTHEWS, MIDDLE EAST EDITOR, IN LONDON

PRESIDENT Hosni Mubarak of Egypt and King Hussein of Jordan flew to Baghdad yesterday for urgent talks with President Saddam Hussein of Iraq on the state of the latest Iranian offensive in the Gulf war.

The sudden visit emphasised the depth of Arab concern at the upsurge in the fighting, which has been accompanied by air and missile attacks on larger cities.

Iraq yesterday claimed to have crushed the Iranian offensive in the southern Hawizah marshes after a week of heavy fighting. General Adnan Kheirullah, the Iraqi Defence Minister, said his forces had won "the greatest battle in the history of the Iran–Iraq war." The battlefield was littered "with thousands of Iranian corpses left as carrion for the vultures."

As crowds gathered on the streets of Baghdad to celebrate the announcement of victory, a huge explosion was heard throughout the city, the third of its kind in a week.

Iran again said it had fired a surface-to-surface missile at the Iraqi capital and warned that Baghdad would be turned into a ruin in retaliation for attacks on its cities. Iraq has insisted that the previous explosions were the work of saboteurs.

Iran hinted in military communiqués yesterday that it might have called a halt to its offensive and might now be seeking to consolidate its gains in Iraq west of the border. It claimed that nearly 200 sq miles of territory had been captured and heavy blows had been dealt to the Iraqi army, west and east of the Tigris river.

It said its next offensive would be of "greater scope and will enjoy heavier firepower".

Western military assessments suggest that Iran employed up to five divisions in the offensive and was able to penetrate almost to the Tigris, north of Basra, Iraq's second largest city. Although some fighting patrols managed to cross the river and may have reached the main road from Basra to Baghdad, they could not hold the positions under heavy Iraqi air attack supported by helicopter gunships.

Iran said it had killed 12,000 Iraqi troops and taken 3,000 prisoner. As in previous offensives, Iran is certain to have suffered heavy casualties. The front line is now thought to run a mile or two east of the Tigris, where the marshes give way to firmer land more suitable for tanks.

President Mubarak's visit to Iraq is the first by an Egyptian leader since President Anwar Sadat made his peace overtures to Israel. Iraq and Egypt have no formal diplomatic relations, although Cairo has sold weapons and ammunition worth an estimated $1bn to Baghdad.

President Mubarak had flown to Amman, the Jordanian capital, earlier yesterday to discuss with King Hussein the outcome of his trip to Washington and Europe, which centred on Arab proposals for resolving the Palestinian issue.

The decision by President Mubarak to fly with King Hussein to Baghdad emphasises the more assertive role the Egyptian leader is playing in Middle East diplomacy as part of the effort to break the partial Arab boycott of Cairo.

President Mubarak has also been emphasising the dangers of Islamic extremism, which, he believes, is being fuelled both by the failures to make any progress on the Palestinian issue and by the capacity of militant Iran to rally support among radicalised Arab populations.

Iranians fight on regardless, Page 6

Ohio officials work on bank crisis plan

BY PAUL TAYLOR IN CINCINNATI AND WILLIAM HALL IN NEW YORK

THE 71 U.S. savings institutions at the centre of the Ohio savings bank crisis remained closed yesterday as state officials worked on a plan aimed at putting at least some of them back in business by tomorrow.

Governor Richard Celeste yesterday extended the state's "bank holiday" for another 48 hours while the Ohio state legislature met in an emergency session to approve a plan which will force the local savings banks, presently insured by the Ohio Deposit Guarantee Fund, to seek help from Federal agencies.

In the U.S. financial markets conditions were calmer yesterday after Friday's flight to quality, with the gap between Treasury bill rates and rates on banks' certificates of deposit returning to more normal levels.

Although the Federal Reserve continues to pledge its support for the Ohio savings banks, it was clear yesterday that the rescue effort is primarily the responsibility of the state government.

The Governor, who has emerged as the key figure in the battle to restore confidence in small Ohio savings banks, unveiled a rescue package for the banks late on Sunday evening. The main elements are:

- All 71 state chartered savings banks will be required to apply for backing from the Federal Savings and Loan Insurance Corporation (FSLIC) before they are allowed to reopen their doors;
- As soon as any institution receives FSLIC insurance or demonstrates to the state's superintendent of savings and loans that it has sufficient outside financial backing it will be allowed to reopen its doors.

Governor Celeste said he hoped the plan would allow the orderly reopening of many of the savings banks in a matter of days rather than weeks. One of his officials, Ms Debra Phillips, later said several of the banks could conceivably reopen tomorrow.

Local savings bankers welcomed the Governor's initiative, but it was seen as only a partial success since the state had not been able to persuade the Federal authorities in Washington to issue blanket coverage for all the troubled institutions which would have allowed them to reopen immediately.

The closure of the banks, which is believed to be the most extensive action of its kind since President Roosevelt ordered a nationwide bank holiday in 1933, is causing growing hardship among their customers, which number more than half a million. The crisis began after Home State savings, the biggest savings bank in the state-backed deposit insurance scheme, collapsed earlier this month, wiping out a large part of the resources of the fund.

There is still considerable uncertainty about the speed with which Ohio can reopen its savings banks. According to Federal officials only about 25, or a third, of the closed savings banks would be eligible for Federal insurance. This means even if the Federal authorities speed up their admission procedures, about two thirds of the savings banks will not be covered.

Sterling up sharply ahead of UK budget

By Max Wilkinson in London

STERLING rose strongly yesterday to its highest level of the year as financial markets prepared themselves for a tough British budget, aimed at rebuilding confidence. Mr Nigel Lawson, Chancellor of the Exchequer, will unveil the Conservative Government's budget in parliament this afternoon.

The pound's buoyant performance was helped by a sustained fall in the dollar, which lost 3.7 pfg against the D-Mark to close in London at DM 3.34 and then continued to fall steeply in early trading in New York.

Sterling closed in London at $1.1065, 2¼ cents higher than on Friday.

The pound was also strong, however, against other European currencies and the sterling index against a basket of currencies rose by 1.4 per cent to 73.0 (1975 = 100).

This was partly on the expectation that UK monetary policy would remain tight. The markets were also influenced by the view that the worsening conflict in the Gulf could put upward pressure on oil prices.

Better-than-expected British public sector borrowing figures for February announced yesterday may also have helped sterling.

The fall in the dollar was said to reflect the recent troubles of Ohio's state-insured savings banks, which it was thought would inhibit U.S. authorities from tightening monetary policy. The most recent figures for U.S. capacity utilisation in February, suggesting a slowdown of the economy, may also have helped the dollar's decline.

UK borrowing overshoots, Page 12; Currencies, Page 45

Italy proposes fishing deal for Madrid

BY QUENTIN PEEL IN BRUSSELS

ITALY FOUGHT hard last night to avoid a critical delay in the EEC's enlargement negotiations by proposing a major concession on Spain's fishing rights after it joins the Community.

The plan put to EEC foreign ministers by Sig Guilio Andreotti, the Italian President of the Council of Ministers, would allow Spanish boats access to the waters of the "Irish box" – waters within 50 miles of the Irish coast – and the North Sea from 1993.

Access to the Irish box is a key Spanish demand in its bid to secure an acceptable fisheries deal for its national fleet, which is the world's third largest.

Sr Fernando Moran, the Spanish Foreign Minister, accused Ireland of "the act of an unfriendly state" in maintaining its refusal to contemplate the presence of any Spanish boats in the area – an attitude in which Dublin is strongly backed by Britain.

The clash between Sr Moran and Mr Jim O'Keeffe, the Irish Minister of State for Foreign Affairs, came as the fishing question emerged once again in day-long negotiations as the crucial issue to be resolved if the marathon talks are to be completed by tomorrow night. That is the deadline set by the EEC foreign ministers if they are to keep their promise that Spain and Portugal will join the Community next January.

The ministers spent virtually the entire day in bilateral meetings as Sig Andreotti attempted to find common ground for a deal on fish, as well as the other outstanding questions of agriculture and social affairs.

A European Commission simulation of budget contributions by Spain and Portugal in their first 10 years of EEC membership suggests that Madrid will be a net contributor for six years and Lisbon for only one. Page 3

Only last night did the ministers reconvene in plenary session, and then in a highly restricted meeting, with only one senior official each.

Sr Moran had extended talks with Sig Andreotti in the morning, followed by bilateral meetings with Mr O'Keeffe and M Roland Dumas, the French Foreign Minister.

France also has problems on the fishing question because of fears that the 600,000-tonne Spanish fishing fleet could overwhelm the 60,000-tonne French fleet in the Bay of Biscay.

Irish officials indicated that their talks had been distinctly frosty. Mr O'Keeffe retorted to the Spanish accusation, by pointing to the frequent Spanish infringements of the current fishing restrictions around Ireland, with boats being arrested as frequently as one a week.

The latest Italian Presidency compromise, to include access to the North Sea as well as the Irish Box from 1993 seemed certain to meet a hostile response from the fishing nations most affected, led by Britain, Ireland and Denmark.

Their attitude is that the present Common Fisheries Policy lasting until the year 2002 is a fragile balance of interests which could be jeopardised entirely by allowing too great access to the powerful Spanish fleet.

ABC falls to Capital Cities in $3.5bn takeover

By Our Financial Staff

AMERICAN Broadcasting Companies, which operates the ABC national television network in the U.S. last night agreed to be taken over by Capital Cities Communications, its smaller but more profitable rival, in a deal worth more than $3.5bn.

The deal, approved unanimously by both companies' boards, represents one of the largest non-oil takeovers in the U.S. If it is approved by shareholders, it will create a broadly based broadcasting, cable and publishing empire with annual revenues close to $5bn.

The agreement comes amid increasing speculation on Wall Street about the future of the TV networks, with many analysts seeing them as vulnerable to a takeover. Earlier this month Mr Ted Turner, the Atlanta cable entrepreneur, indicated he was considering an attempt to take over a major television network.

CBS, another major broadcasting group, has come under attack from Fairness in Media, a group led by the right-wing Senator Jesse Helms of North Carolina. The group alleges liberal bias at CBS.

Under the terms of the agreement between ABC and Capital Cities, each ABC share will be exchanged for $118 in cash plus one tenth of a warrant to buy Capital Cities common stock. The price represents a hefty premium on ABC's recent share price of around $74.

ABC has been the subject of takeover rumours for several weeks despite achieving an 18.2 per cent rise in 1984 net earnings to $195.3m on sales of $3.7bn. The company did well from its exclusive coverage of the Los Angeles Olympics, but has since suffered a drop in ratings for prime-time viewing, falling behind CBS and NBC.

Last week ABC announced a reorganisation of its television operations, in a move seen by analysts as streamlining the mangement structure.

ABC has also had problems outsie broadcasting, losing an estimated $100m over the last four years in cable television and video ventures. In September, ABC agreed to sell a 20 per cent stake in its Entertainment and Sports Channel network to Nabisco Brands, the U.S. foods group, for $80m.

Capital Cities owns and operates seven TV stations, 12 radio stations and 54 cable TV systems. Newspaper interests include the Kansas City Star and Times, bought in 1977 for $125m, while magazines include Institutional Investor, purchased last August.

Pretoria imposes tax increases and levies to curb borrowing

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICA yesterday raised its general sales tax (GST) by 20 per cent and imposed special levies on banks, mining and insurance companies in a budget designed to cut inflation and curb government borrowing.

Mr Barend du Plessis, Finance Minister, also announced an increase in the income tax surcharge on individuals, and excise duty increases which will affect exporters to South Africa.

These include a 20 per cent excise duty on office machinery, including computers, a 5 per cent rise in the duty on imported video cassette recorders and an increase from 100 to 125 per cent in the duty on imported fully assembled cars.

The basic thrust of the budget is further to depress consumer spending and to tax windfall profits, while keeping overall government spending below the rate of inflation and reducing the Government's borrowing requirement. It has also provided increased funds for developments in the black homelands and on key social areas like education.

The basic income tax on companies remains unchanged at 50 per cent, but Mr du Plessis singled out for special temporary levies those sectors of the economy which have benefited from the weak rand.

An estimated R91m ($45.9m) will be raised by a "special temporary additional surcharge" of 5 per cent on top of the existing 20 per cent surcharge on gold and diamond mining company profits and a special 15 per cent surcharge on all other mining companies.

This will raise the latters' effective tax rate to 57.5 per cent, which is commensurate with the new rate for gold mines and will contribute another R33m to government revenues.

The budget will raise a further R70m by a special levy on producers of synthetic fuels, like Sasol, the oil-from-coal company, whose competitive position compared with imported fuels has been boosted by the rand's depreciation.

In the financial sector, insurance companies face a 7.5 per cent levy on their gross income from life assurance business in the year to March 31 1986. Another special levy, at the rate of one quarter of 1 per cent of the average amount of all deposits at the end of each quarter during calendar year 1984, will be levied on South African banks. This will be payable in instalments and is expected to yield R100m.

In the personal income tax field, the 5 per cent surcharge on individuals announced last year to compensate for changes in legislation affecting perks, such as company cars and housing subsidies, has been raised to 7 per cent.

The net addition to revenue from the new measures will be R141m from higher excise duties and R1.71bn from the Inland Revenue.

The biggest rise in government spending is on aid to the so-called independent homelands, to Namibia South-West Africa, which rose by 27 per cent, and on education, which rose 19 per cent.

Military spending, by contrast, will be only 8.1 per cent higher this year, at R4.27bn and the military share of the total budget is due to fall slightly to 13.8 from 14 per cent last year.

CONTENTS

Romanians count the cost of harshest winter in 40 years

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT, IN BUCHAREST

ROMANIANS ARE now, with the first spring thaw here, trying to count the cost of their worst winter for 40 years, in terms of extra energy imports, lost production and exports, broken machinery and reportedly higher industrial accidents and infant mortality.

One immediate cost has been an extra 1m tonnes of oil imported to try to compensate for the shortfall in domestic gas extraction and in production of domestic coal frozen in surface pits, Mr Ion Stanciu, the Deputy Foreign Trade Minister, said yesterday. This year, therefore, Romania is likely to import more than the total of 11m tonnes of crude it bought last year, 9m tonnes of it for re-export in processed and refined products.

Romanians are still unable to use their cars for private use, which has been banned since January 9. The measure is said officially to be for safety – snowbanks lining roads still limit traffic – but it also saves about 30,000 tonnes of petrol a month, according to Mr Stanciu.

Street-lighting, too, is now a feature of the past.

Ministry of Energy officials also say that in future coal power stations will be required to stock 50 instead of 30 days' supply. Rubber belts conveying coal, which were snapped by frost, will be replaced by metal ones, and investment will be made in insulated or heated coal rail-wagons.

There is no official quantification of other costs of the freeze. Reports are widespread of burst pipes and radiators in houses.

An accident at a chemical plant near Ploesti last month was probably caused by careless reheating of equipment, and domestic explosions occurred as gas in ovens was cut off and then restored unlit. According to one report, infant mortality rose briefly to a rate of 73 deaths per 1,000 births as power to hospital incubators was cut off.

Given the unforgiving nature of Romania's ambitious plan targets, enterprises are now simply expected to make up lost output and exports in the rest of the year. Mr Stanciu said that to meet the 1985 goal of a 15 per cent increase, exports will have to increase by 2.5 per cent each month.

The export sectors most affected by the freezing of the lower Danube ports are steel and wood.

Ironically, Romania has substantial hard currency trade surpluses behind it, $1.8bn in 1983 and $2.9bn last year, according to Mr Stanciu. It would now seem to have some financial leeway, even though it faces debt principal repayments of $1.6bn to Western banks and governments this year, as debts rescheduled from 1981–82 become payable again. The Ceausescu Government appears to want to reduce its debt level further, below $7bn, in order to diminish outside leverage on its economic policies.

Romania has reduced its unpaid debts to commercial trading partners, which stood at $2.4bn in 1982, to between $150m and $200m this year, Mr Stanciu said.

Soviet oil and coal output declines

By Patrick Cockburn in Moscow

SEVERE WEATHER has had a serious impact on the Soviet economy in the first two months of the year. Oil production dropped to 96.3m tonnes compared with 100m tonnes in the same period last year.

Heavy snow all over the country disrupted rail and road links. In the oilfields of West Siberia, which account for 62 per cent of the country's oil output, Soviet officials said that temperatures dropped below 50 degrees centigrade, making it impossible to use equipment built to tolerate temperatures down to 40 degrees centigrade.

Coal production also fell from 123m to 121m tonnes over the same period. The transport of coal was also disrupted by the shortage of railway wagons, a long-term problem but much exacerbated by snow and ice in recent months.

The gas industry, at the centre of Soviet energy planning this decade, continued to expand. Production was 105m cu m in January and February compared with 96.2m cubic metres last year.

The Soviet energy programme, absorbing a fifth of total capital investment for the entire country, is to maintain oil and coal output at current levels while increasing gas output and nuclear power.

Last week Moscow announced that it had completed the six major pipelines linking the main gasfields of Urengoy with the rest of the country and would finish some remaining compressor stations this summer.

The severity of the weather in the last two months makes it difficult to know the direction of long-term trends, but Mr Mikhail Gorbachev, the new Soviet leader, said in his first speech to the Communist Party Central Committee last week that the ice and snow made it difficult to meet targets.

Overall production rose by 3.7 per cent compared with 5.6 per cent in January and February last year and productivity increased by only 1.2 per cent compared with 5.3 per cent.

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Polish exports hit by sub-zero temperatures

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S ECONOMIC prospects have taken a turn for the worse with the authorities blaming the harsh winter for a fall in industrial production of 2.2 per cent in the first two months of the year.

According to government figures, losses caused by sub-zero temperatures amount to Zlotys 100bn ($70.7m), while the country's foreign trade performance has also been hit severely.

The fall in coal exports in the first two months left Poland with a hard currency trade surplus of $62m in this period, compared with a $194m surplus in the corresponding 1984 period.

With no hard currency reserves to speak of, the surplus is crucial if minimum debt service requirements are to be covered.

Exports to Comecon countries also fell by 9 per cent, causing Poland's soft currency deficit to grow to roubles 198m ($182m) in January and February compared with a deficit of roubles 99m in the corresponding period last year.

Italian roads affected by snowfalls

HEAVY snowfalls and hailstorms hit many parts of Italy yesterday for the second day running, closing roads and one of Rome's airports, Reuter reports.

The severe weather forced Pope John Paul II to postpone a one-day visit to the central Italian town of Avezzano planned for today. Vatican officials said the Pontiff had put off the trip until Sunday.

Snow began settling on Rome on Sunday for the second time this year, and reached up to 9cm in depth with fresh falls yesterday.

City buses were fitted with snow chains and aircraft heading for Ciampino airport, which takes mainly charter and military flights, were diverted to the larger Leonardo da Vinci airport.

In parts of Tuscany, snowdrifts built up to 1½ metres, while in northern Italy many mountain passes were closed.

Snow also hit Sardinia, where firemen rescued a group of children trapped in their school.

In Naples, emergency services dealt with hundreds of calls reporting fallen trees and damage to houses after hailstorms and winds of up to 80mph.

Norway vows to support Opec

BY FINN BARRE IN RIYADH

MR Karre Kristianen, Norway's Oil Minister, vowed to support the Organisation of Oil Exporting Countries (Opec) in maintaining oil price levels, at a joint press conference held in Riyadh with Mr Ahmed Zaki Yamani, Saudi Minister of Petroleum and Mineral Resources.

Mr Kristianen said Norway would not increase its production this year. Norway's oil production ranges around 750,000 barrels per day (b/d), although the total exports are closer to 500,000 b/d.

Mr Yamani said Norway's support strengthened Opec's efforts to maintain prices. The cartel was abiding by its lower production quotas.

Mr Yamani said in an interview that the Dutch auditing firm of Klynveld, Kraayenhof had already started auditing Opec member-countries' oil production.

Genscher voices reservations over space weapons strategy

BY PETER BRUCE IN BONN

HERR Hans-Dietrich Genscher, the West German Foreign Minister, appeared yesterday to have come out in support of controversial reservations about the U.S. Strategic Defence Initiative (SDI) expressed by his British counterpart, Sir Geoffrey Howe, at the weekend.

In a signed statement which the Bonn Foreign Ministry is to circulate around the world, Herr Genscher, without actually mentioning SDI, warned that the ties that bound the U.S. with Western Europe should be developed through "close and trusting consultations" and that the two partners "should not be decoupled through technological innovation."

Observers in Bonn believe the European Nato partners and France are deeply concerned that space weapons will shift the focus of peacekeeping away from the mutually assured destruction (MAD) concept that presently centres on Europe, leaving the Continent vulnerable to Soviet threat.

Both Sir Geoffrey's and now, Herr Genscher's statements, are also being taken as attempts to reassure Moscow that SDI deployment is not a foregone conclusion.

"As long as there is no better strategy for deterring war, the strategy of flexible (nuclear) response must remain in force," Herr Genscher said. "It is a strategy of deterrence," he insisted.

Herr Genscher: trusting consultations

"Nothing, but nothing, must be allowed to happen that endangers this highly moralistic (deterrent) goal. Every new development must therefore be examined to see whether it brings us closr to the goal of preventing war or not," he said.

"Nothing must be allowed to happen, that makes war in Europe possible, because even a conventional war, given the state of technology, would for the people of Europe, be a far greater catastrophe than World War II."

The statement marks probably Herr Genscher's most public expression of, if not open opposition, then at least suspicion about the efficacy of President Reagan's space weapons plan. It also comes just ahead of the presentation to the Government later this week of a combined ministerial report which will urge the Bonn Government to take part in research into space weapons with the U.S.

The report, understood to have been prepared by the ministries of defence, technology and foreign affairs, is also likely to show up splits in the Government about SDI.

"It should not be forgotten," Herr Genscher's statement said, "that the existing strategy of the alliance also forms the response to the conventional superiority of the Soviet Union in Europe. The examination of new (technical) possibilities designed to consolidate strategic stability must therefore, in view of Europe's position, include ways to minimise the conventional imbalance.

"It is of great importance that the Europeans do not restrict themselves to the role of mere observers in the negotiations between the two superpowers," he said.

EEC counts payments from Spain, Portugal

By Quentin Peel in Brussels

THE EUROPEAN Commission has drawn up a simulation of budget contributions and receipts by Spain and Portugal in the first 10 years after their planned membership of the EEC, suggesting that Spain will be a net contributor for six years, and Portugal for just one.

Officials insist that the document is purely theoretical, rather than any realistic attempt at a budget forecast, excluding any provision for inflation, or for changes in the pattern of production in the new member states during that transitional period.

They submitted figures to the EEC foreign ministers meeting in Brussels indicating the scale of reimbursement necessary if Spain and Portugal are to remain broadly neutral in their contributions and receipts to the Community.

The result is to sugegst an 85 per cent reimbursement of Spain's Vat-based contributions in the first year of enlargement—assumed to be 1986 if the current negotiations are completed on time—reducing to 70 per cent in 1987, 55 per cent in 1988, and in further steps of 15 per cent down to a 5 per cent reimbursement in 1991, and zero in 1992.

The same exercise for Portugal, however, sugegsts a reimbursement of 50 per cent of the Vat-based payments in 1986 with no further repayments.

The simulation forecasts Community spending inside Spain—on the assumptions stated—as Ecu 1.175bn (£705m) in the first year, rising to Ecu 1.513bn in year two, reaching Ecu 1.89bn by the fourth year and Ecu 2.59bn by the seventh year.

On the basis of such calculations, Spain will remain a net contributor to the EEC budget for longer than hitherto expected, which could be a reflection of the tough terms currently being offered by the present EEC members.

The Vat payments are only part of a member state's contribution to Community funds, with customs duties and agricultural levies also providing significant amounts.

DEBATE OVER PROPORTIONAL REPRESENTATION

Mitterrand ponders election reform

BY DAVID HOUSEGO IN PARIS

WITH THE rightward shift in the French electorate largely confirmed by the results of the local elections on Sunday, the political battle shifted yesterday to the controversial changes in the voting system that President Mitterrand is due to announce.

By bringing in proportional representation in time for the parliamentary elections next March, M Mitterrand will be fundamentally altering the working of the institutions of the Fifth Republic.

From de Gaulle to M Mitterrand, presidents of the Fifth Republic have been largely assured of the backing of a majority in the National Assembly through the existing system of single constituency majority voting. As both the first round of the elections and Sunday's second round poll confirmed, this would have left the Socialists in a substantial minority in the National Assembly next year.

M Mitterrand's intention is thus to introduce a degree of proportional representation that will make it difficult for the orthodox Right to obtain an overall majority in the National Assembly. It would leave the President with the possibility of building a new coalition on the centre and Left from the divided assembly that would result from the switch to proportional voting.

GAINS AND LOSSES IN CANTONAL ELECTIONS

	Seats
Communists	−80
Socialists	155
RPR	+155
UDF	+102
Independent Right	+124
National Front	+1

M Andre Fontaine, the new editor in chief of Le Monde, last week condemned the proposed change in a spirited editorial that marks the change of leadership at the paper. He said that it would result in either a return to the parliamentary instability of the Fourth Republic on a shift to an even stronger presidential system under a new style of Sixth Republic.

M Mitterrand was waiting on the results of the cantonal elections to see how far to go in a shift to proportional representation. He is supported in such a move by the Communists, the National Front and some of the smaller centrist groups—all of whom stand to gain. He is bitterly opposed on the other hand by the orthodox opposition parties which see themselves as being robbed of their parliamentary majority.

He is also opposed by some Socialists such as M Jean-Pierre Chevenement, the Minister of Education, who believes that the existing system favours the Socialists among the leftwing parties.

On the basis of computer projections published yesterday, proportional representation would have cut the number of seats won by the right in the National Assembly from 333 under the existing system to between 205 and 264. The projections were based on a public opinion poll of voter intentions taken outside the polling booths on March 10.

M Mitterrand's main justification for the change is that France is fed up with the ideological extremes of Left or Right and that a switch to proportional representation will allow the middle ground to emerge.

The voting in the cantonal elections gave some support to this argument as showing 80 per cent of the voters in favour of the parliamentary parties whose programmes have become increasingly difficult to distinguish apart. The remaining 20 per cent voted Communist or for the extreme rightwing National Front.

But the tactical reason is that proportional representation would divide the orthodox Right in forcing them to choose between allying with M Mitterrand or with the National Front. As Sunday's vote showed, many Opposition voters would prefer M Mitterrand.

The final results showed that the Right gained control of 10 more of metropolitan France's 95 departments. They thus now control 69 departments in all—meaning that the much more decentralised local government that the Socialists have brought in is now substantially in rightwing hands.

The Socialists none the less did better in the second round than most political observers had expected. The clearest sign of this was that no ministers were defeated. But at the same time they also held on to areas like the Nord and the Bouches-du-Rhone where their position had seemed at risk.

The Socialists were able to mobile their supporters more in the second round; they gained from a switch of Comunist votes to their own candidates; and they benefited as well from opposition sympathisers prefering to vote Left rather than supporting a National Front candidate.

The National Front saw only one of the 50 candidates it had put up in the second round gain a seat. This was in Marseilles where the immigration issue is strong and where local factors played in its favour. In the first round the Front gained 8.5 per cent of the vote.

Nato chief stresses need for consensus over SDI

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

WESTERN IMPATIENCE with the lack of quick results at the Geneva arms control talks is likely to give the Soviet Union an opportunity to divide European members of Nato from the U.S., Lord Carrington, Nato's secretary general, warned yesterday.

Lord Carrington said it was probable that Moscow soon would seek to persuade western public opinion that the continuing U.S. research into the Strategic Defence Initiative—the so-called Star Wars programme—was frustrating agreement on the world-wide reduction of nuclear weapons.

Against such tactics, it was essential that the cohesion of Nato be maintained through "direct and collective consultation," Lord Carrington said. Western governments must also try to broaden the consensus within their countries on defence issues. A consensus must be established which would be robust enough to withstand the changes of government which were inevitable in a democratic alliance.

Speaking to a combined meeting in London of the Commonwealth Writers and Foreign Press Association, Lord Carrington refused to comment on existing divisions within Nato on the SDI. In particular, he sidestepped questions on the controversial speech last weekend of Sir Geoffrey Howe, in which the British Foreign Secretary appeared to take a much more critical line towards the SDI than Mrs Thatcher, the Prime Minister.

Telephone links to W. Berlin to be updated

By Leslie Colitt in Berlin

EAST GERMANY is co-operating with West Germany to improve telephone links with West Berlin 220 kilometres inside East Germany.

An agreement signed between the two German states provides for a fibre-optic cable to be laid between Uelzen in West Germany and West Berlin.

The West Germany Bundespost will provide the technical equipment to East Germany free of charge and will pay it DM 39.5m (£10.6m) to lay the cable and for work on the radio towers. East Germany will get DM 6.5m a year for the cable and radio links.

The fibre-optic cable is to have a capacity of 30,000 telephone channels

Dutch balance of payments surplus increases 42%

BY LAURA RAUN IN AMSTERDAM

THE DUTCH balance of payment surplus on its current account surged 42 per cent to Fl 15.67bn (£3.8bn) in 1984 from Fl 11.02bn the previous year as exports fuelled an economic recovery. Exports jumped 15 per cent to Fl 199.9bn, last year, while imports rose 13 per cent to Fl 188.68bn the finance Ministry reported.

The merchandise trade surplus nearly doubled, to Fl 11.22bn last year from Fl 5.27bn in 1983 while the invisible trade surplus increased 18 per cent to Fl 1.99bn from Fl 1.69bn. Especially bouyant were exports of manufactured goods, which rose 8½ per cent according to the Organisation for Economic Cooperation and Development.

In line with the Netherlands' centuries-old tradition of trading, exports and imports still account for more than 60 per cent of gross domestic product. This comparatively heavy reliance on foreign trade has enabled the Dutch to exploit the worldwide recovery, lifting their balance of payments surplus consistently since 1980.

Confusion over exhaust control

FRANKFURT – Confusion about the introduction of new exhaust emission standards continue to affect the West German vehicle industry, the industry association, VDA, said.

Because of the confusion, stocks of new cars and commercial vehicles in factories and dealerships have risen about a third from December to 363,000 a VDA spokesman said.

Reuter

Pay deal gives boost to Swedish incomes policy

BY KEVIN DONE IN STOCKHOLM

THE SWEDISH Government's efforts to implement a voluntary incomes policy were boosted yesterday when leaders of the country's 200,000 engineering workers, the most powerful private sector union, reached agreement on a pay settlement in line with government guidelines.

Both sides in the industry, which normally sets the pace in national wage bargaining, claimed the deal was within the Government's ceiling of a 5 per cent increase in labour costs for 1985.

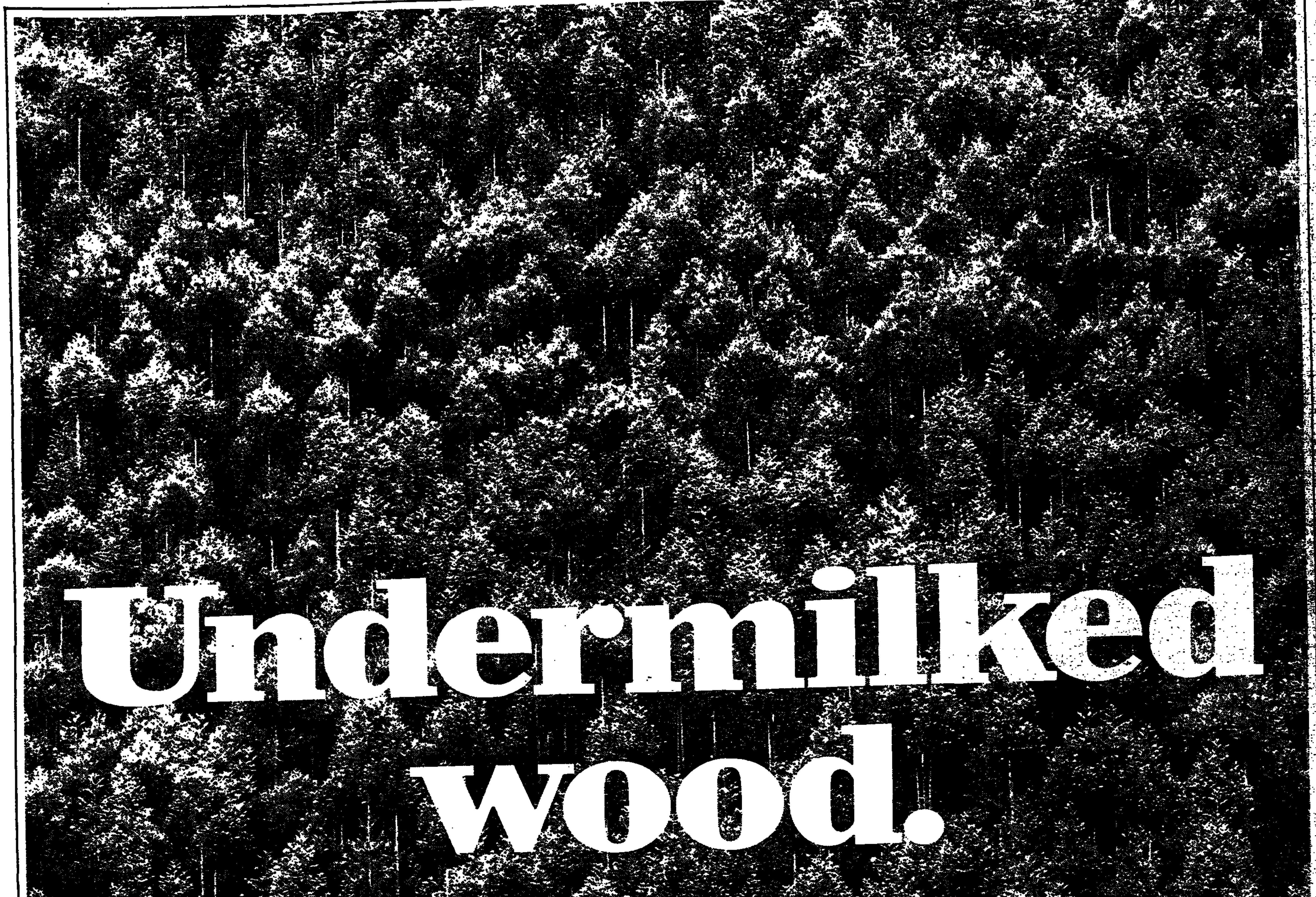
The deal was welcomed by Mr Kjell-Olof Feldt, the Finance Minister, who announced an immediate reward for the moderate wage settlement in the shape of a SKr 600 (£98 income-tax rebate for all wage earners with an annual income of SKr 80,000 and above.

The rebate will be paid in June just before Sweden's main holiday season begins in July and less than three months before the coming general election.

Important elements in the engineering sector's agreement have been left to be decided at local company level, and immediate shop-floor reactions show that union leaders will have a tough fight to sell the settlement.

Spontaneous wildcat strikes broke out at several plants around the country in protest at the deal, and it is still possible that workforces locally could push through wage demands that will break the national ceiling.

In addition several important sections of the private sector workforce have still not settled.



(Or how some of the world's best foresters are growing a £96,000,000 industry in Wales.)

As you can see, Wales isn't short of the odd tree.

These small-diameter coniferous roundwoods (as foresters like to call them) grow in both the north and south.

And a new mill at Shotton, Clwyd, is opening to make good use of them.

What, you might ask, has this woodland tale to do with you?

In fact it's an example of how far the Welsh Development Agency goes to develop a new business opportunity.

We commissioned a feasibility study on forestry in Wales.

And sent the findings to the giants in the paper industry.

And to the major banks in Europe, Scandinavia and South America.

Now United Paper Mills, of Finland, are moving in.

But it's the feasibility of your move to Wales that matters to you.

Perhaps it's help with finance that you need.

Or your main concern could be whether the right factory or green-field site is available.

Or if transport facilities are right.

Or that the workforce is sufficiently willing and adaptable.

Hundreds of companies have come here over the last few years precisely because they have found they can make the products they want and the profits they need.

The WDA has put together a package of information telling you why your business would benefit from a move to Wales.

It's completely free and you can get it by sending off the coupon.

Mail it today; it could be your first move towards the top of the tree.

I am thinking of relocating my existing business/establishing a new one. Please tell me why Wales will be right for me.

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U.S. may be net debtor nation, says Baldrige

BY NANCY DUNNE IN WASHINGTON

MR MALCOLM BALDRIGE, U.S. Commerce Department Secretary, said yesterday the U.S. may have become a net debtor nation during the first quarter of this year and that, partly as a result, he anticipates that the current account deficit for this year will be larger than the $101.65bn (£93.7bn) reported yesterday.

In the fourth quarter of 1984, the Commerce Department said the current account deficit decreased from $33.6bn to $23.7bn reflecting, among other things, a significantly better result on the merchandise trade account. The trade deficit on a balance of payments basis fell to $22.9bn from $33bn.

The fourth quarter also saw a modest increase in net service receipts to $3.2bn compared with $2.2bn in the third quarter.

Mr Baldrige said that net debtor status for the U.S. will mean growing interest and dividend payments to foreign holders of U.S. assets and a bigger current account deficit. In 1983 the deficit on current account was $41.5bn. The deterioration of the merchandise trade balance from a deficit of $61bn to a deficit of $107bn was largely responsible for the sharp increase in the current account deficit although a shrinking services surplus also contributed.

Trade with Europe and Japan accounted for two thirds of the increase in the trade deficit according to Mr Baldrige. The trade balance with Europe shifted from a surplus of almost $1bn in 1983 to a $14bn deficit in 1984, while the deficit with Japan rose from $14bn to $34bn.

Mr Baldrige added that the surplus on the services account fell by $11bn to $17bn in 1984. A peak of $41bn was recorded in 1981 when the services surplus was large enough to offset the trade deficit.

Commenting on the capital account the Commerce Department said that net purchases of U.S. Treasury securities by private foreigners hit a record $22.5bn in 1984 compared with $8.7bn in 1983.

Liabilities to private foreigners by U.S. banks in 1984 increased by $27.6bn compared with a $49.1bn increase in 1983. The Department said that strong domestic credit demand, rising short-term interest rates and dollar appreciation in the first half of last year contributed to large inflows of capital into the U.S., but inflows declined in the second half of the year.

In the fourth quarter U.S. banks reported a net increase of $5.5bn in the credit extended to foreigners compared with a sharp cutback in foreign lending in 1983 and most of 1984.

Fears over Neves subside

By Andrew Whitley in Rio de Janeiro

FEARS of complications over the health of Sr Tancredo Neves, Brazil's new civilian President who is recovering in hospital from an emergency operation on Thursday night, are subsiding.

Sr Antonio Brito, the presidential spokesman, said yesterday that Sr Neves had had a "marvellous night" and the state of his health was "the best possible" considering his age.

Over the weekend, there were unconfirmed reports that the 75-year-old President maybe suffering from pneumonia, and had a post operation infection in his intestines. The alarm produced a sudden rush of politicians, to his bedside in Brasilia.

President Neves who has still not been formally inaugurated is expected to remain in hospital for another 10 days. In his absence day-to-day decisions and formal acts such as the signing of decrees, are being handled by Vice-President Jose Sarney.

One item that has been barely touched upon in the new government's initial policy pronouncements but will increasingly occupy official attention, in the coming weeks, is the suspended negotiations with the International Monetary Fund.

Reagan unleashes bitter attack on the Soviet Union

BY REGINALD DALE AND BERNARD SIMON IN QUEBEC

PRESIDENT Ronald Reagan yesterday unleashed one of his bitterest attacks on the Soviet Union, but at the same time held out an olive branch to Mr Mikhail Gorbachev, the new Soviet leader. "We all want to hope that last week's change of leadership in Moscow will open up new possibilities" for more constructive superpower relations Mr Reagan said.

Mr Reagan made the toughest anti-Soviet speech since his re-election last year as he ended a 24 hour summit meeting here with Mr Brian Mulroney, the Canadian Prime Minister, devoted to underlining the close links between the U.S. and its biggest trading partner.

The U.S. President accused the Soviet Union of violating the 1945 Yalta Agreement pledging free elections in Eastern Europe, the Geneva Convention banning use of chemical weapons, the SALT II strategic arms limitation treaty and the 1972 Anti-Ballistic Missile (ABM) treaty.

The meeting was due to be concluded later yesterday with the formal endorsement of four bilateral agreements to put what Mr Reagan described as "our new partnership" to work. They were a declaration pledging freer trade between the two countries, a treaty on Pacific salmon, a mutual law enforcement treaty and a $1.2bn agreement to modernise the joint U.S.-Canadian early warning system to detect cruise missiles and modern bombers.

The agreement on the so-called North Warning System (NWS), which has aroused great suspicion among the Canadian opposition, again grabbed the limelight yesterday. Mr Caspar Weinberger, the U.S. Defence Secretary, plunged the summit's closing hours into unintended controversy by saying on Canadian television that the new missile defences against Soviet cruise missiles might be placed on Canadian territory as well as in the U.S. and at sea.

While insisting that Mr Weinberger had spoken hypothetically, both U.S. and Canadian officials had to spend most of their official briefings denying that new U.S. weapons would be deployed in Canada without the Canadian Government's permission.

Touch of blarney at the shamrock summit

BY REGINALD DALE, U.S. EDITOR

MR BRIAN MULRONEY, the Canadian Prime Minister, cheerfully plunged into his live musical debut on national television with a brief solo snatch of "When Irish Eyes Are Smiling" on Sunday night. But the gala St Patrick's Day variety show did not end with the "surprise" that fans of President Ronald Reagan had been hoping for.

Despite earlier nudges and winks from the organisers the two leaders did not celebrate their "shamrock summit" here with a song and dance duo. A beaming Mr Reagan simply joined in the chorus, on a stage set designed as an Irish pub.

The three-language gala (French, English and "American") was the principal public showpiece of Mr Reagan's 24-hour visit to Quebec, the first foreign trip of his second term.

Although Mr Reagan and Mr Mulroney engaged in a certain amount of government business, the main purpose of the trip was an Irish-flavoured celebration of U.S.-Canadian friendship—as one Canadian commentator put it, "more puff than stuff."

Only two hours were set aside for formal talks, and officials conceded that a number of the more important subjects had been adequately covered by the two leaders during their 15-minute drive from the airport.

For Mr Mulroney, the purpose was to show that his pro-American policies have won him a firm friend in the White House. Mr Reagan was keen to demonstrate that Canada is in no danger of catching New Zealand's "nuclear allergy."

The Mulroney-entente, both sides agreed, showed an historically unprecedented degree of warmth between the two enighbours. President Nixon, it was recalled, recorded obscenities about Mr Pierre Trudeau on the Watergate tapes; President Kennedy erred by scribbling rude comments about Mr John Diefenbaker on a briefing paper subsequently discovered by Canadian officials; and President Johnson once physically assaulted Mr Lester Pearson for opposing his Vietnam policies.

Mr Reagan dodged 300 or so demonstrators who had erected a 30 ft high black "chimney" outside his hotel to protest against acid rain and most Quebecois only saw him on TV.

Mr Reagan barely emerged from his vast Victorian mock-chateau hotel, but 1,000 security men virtually sealed off Quebec's old quarter.

Mr Mulroney ensured that there was no repetition of the scenes of Mr Reagan's last visit to Canada in 1981, under Mr Trudeau's stewardship, when anti-nuclear and acid rain protestors almost shouted him down as he spoke on the steps of the Parliament building as smoke from a burning U.S. flag drifted across the lawn.

This time Mr Reagan actually completed two sentences in halting French, expressing his pleasure at being in Quebec. Four years ago he delivered the still fondly remembered line: "Merci, c'est mon plaisir to be here with you today."

Canadians, always acutely sensitive of their national image, still use the visit to complain about how ignorant Americans are to their country. The Toronto Star grumbled that one prestigious U.S. newspaper thought that Quebec City was the capital of Canada, that it had mixed up the provinces of Quebec and Ontario on a recent map and that even State Department Secretaries could not spell Toronto.

Mercifully, no Canadian newspapermen were around when a member of the White House press corps asked where he could change his U.S. dollars into francs.

Crucial Senate test for Reagan on MX missile

BY STEWART FLEMING IN WASHINGTON

PRESIDENT Ronald Reagan's bid to convince the U.S. Congress to continue funding the advanced MX missile, faces a crucial test in the Senate today. Senators are expected to vote on whether to authorise funding, delayed last year, for 21 more of the nuclear missiles.

The Senate will have to vote again on Thursday to appropriate the $1.5bn (£1.4bn) whose release was made conditional on congressional votes, and then the issue will be taken up next week by the House.

In recent weeks President Reagan has stepped up his efforts to persuade key Congressmen to back the missile arguing that it would be a bad mistake to kill the MX programme in the middle of the Geneva arms talks. Although many congressmen have profound reservations about the wisdom of the missile programme, some MX critics appear to have been won over by this argument.

President Reagan yesterday planned to keep up his high pressure campaign by telephoning wavering senators from his Air Force One jet on the way back from his Quebec summit meeting with Mr Brian Mulroney, the Canadian Prime Minister.

White House officials said that Mr Reagan had already made over half a dozen calls to senators during the weekend and would continue his intensive lobbying on his return to Washington.

It is thought that Mr Reagan will ultimately get his way, but the vote is expected to be a close one in both Houses. Polls taken in the Senate suggest that opponents and supporters of the proposal are evenly divided. In the House, Representative Les Aspin, the influential chairman of the Armed Services Committee, said the vote was "too close to call." He has made it clear, however, that he will support the MX "as a bargaining chip."

In a television interview on Sunday, Mr Aspin, a Democrat, said that Mr Caspar Weinberger, the Defence Secretary, "has overplayed his hand" in refusing to move towards a compromise on the defence budget. He suggested that support has rapidly eroded for the real 5.9 per cent increase from $292.6bn to $313bn in defence spending which President Reagan is seeking.

One sign of the pressure on the proposed 1986 defence budget came last week when the Republican-controlled Senate Budget Committee voted to hold defence spending to an increase of just under 4 per cent, in line with the expected rate of inflation. The vote is not final but gives an indication of the pressure building up to curb defence in order to secure a package of cuts to reduce the budget deficit.

Argentina faces further delay of $4.2bn loan

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

ARGENTINA faces a further delay in completing its $4.2bn (£3.9bn) loan from commercial bank creditors following last weekend's decision by the International Monetary Fund to insist on a review of the country's economic targets.

The IMF has told Argentina that it will not make any further disbursements from a $1.4bn standby credit agreed last December until the review is completed. This is likely to push the next instalment of some $280m back by several weeks from its originally scheduled date around the turn of the month.

But bankers say this means Argentina will also have to wait for disbursements from their $4.2bn credit to the Government of President Raul Alfonsin as these are tied to the IMF's regular review of the Argentine economy.

Though the latest development had been widely expected it is causing concern in the banking community for two main reasons. First, it will make it harder to round up the few remaining subscriptions to the bankers' loan which have currently reached almost $4.15bn.

Second, worries are growing that without fresh credit Argentina may again start to build up large arrears of interest on its foreign debt. These already stretch back as far as November 4, which is beyond the 90 days normally regarded as critical by the U.S. regulatory authorities.

Yesterday, however, bankers were uncertain over the degree to which the forthcoming talks between Argentina and the IMF would be difficult and protracted. Last month's sudden switch in Argentina's economic team with the appointment of Sr Juan Sourrouille as Economy Minister has slowed down the negotiations.

This week's visit to the U.S. by President Alfonsin may help clarify whether fundamental differences persist, they said.

OVERSEAS NEWS

Roger Matthews, Middle East Editor, reports on the latest flare-up in the Gulf War

Implacable Iranians fight on regardless

WHATEVER the outcome of the latest battle in the Gulf war, it has demonstrated that Iran's appetite for the conflict has scarcely diminished in the *past four and a half years of fighting.*

Ayatollah Khomeini and his fellow clerics remain totally committed to the eventual overthrow of Iraq's President Saddam Hussein, *regarding it* as both a religious duty and a *political* imperative. Such debate as there is in Tehran on the conduct of the war is based not on its desirability but on the tactics and timing to be employed.

More of the world's airlines yesterday suspended flights to Tehran after Iraq declared Iranian air space a war zone, Agencies report.

Iraq said it would not be **responsible for the safety of commercial aircraft over Iran from 17.00 GMT yesterday.**

Airlines affected included **British Airways, Swissair, *Austrian* Airlines, Turkish Airlines, Lufthansa and Alitalia. Many flights to Baghdad were also cancelled.**

Time, manpower and the fervour of its fighting men are the only three military advantages which Iran enjoys. In terms of conventional military hardware — tanks, armoured personnel carriers, artillery, missiles, helicopters and aircraft — Iraq is clearly superior.

When the tide of the war began to swing against Iraq in the second half of 1981, Iran used its strength to telling effect, capturing tens of thousands of Iraqi troops who had little stomach for a fight conducted *inside Iran. But once* the battle moved onto Iraqi soil, where extensive defensive barriers had been constructed, Iran's superiority in numbers and morale counted for less and its casualties soared.

The human wave attacks launched across the desert *north east of* Basra, Iraq's second largest city, in the summer of 1982 bore all the hallmarks of Khomeini's invocation to his supporters in Tehran when they were attempting to overthrow the Shah in 1978. "Let the army kill as many as it wants, *until* the *soldiers* are shaken to their hearts by the *massacres* they have committed."

But the Iraqi defenders were not so shaken and the extent of the Iranian losses forced Tehran to change its tactics. It has opted instead for smaller *scale offensives on terrain* where Iraq's advantages in hardware can be less effectively deployed.

In subsequent attacks in the mountainous area north of the international border and in the marshes close to Basra, Iran has succeeded in nibbling at *Iraqi territory around* Penjwin and in seizing the Majnoon *Islands*, under which are substantial oil deposits.

The longer-term aim in the south has always been the capture of Basra, which has a population estimated at 1m, the great majority of whom are Shi'ite *co-religionists. This* would be a great prize for Tehran. By attacking through the Hawizah *marshes*, Iran has sought to outflank the formidable Iraqi defensive wall and to threaten simultaneously the large Iraqi air and military base at al-Amarah.

But as in previous Iranian offensives, *its military* may lack the logistical support to capital*ise on the initial breakthrough.* Iran's Revolutionary Guards, who invariably launch the initial assault, did penetrate briefly to the western bank of the Tigris, but without substantial re-supply would have been unable to *hold* the main Baghdad to Basra road in the *face of determined Iraqi counter* attacks.

President Saddam Hussein has no option but to throw everything into the counter-attack, including possibly the use of chemical weapons, to prevent the Iranians establishing themselves up to 20 miles *inside Iraq. Having repeatedly* warned the Iranians of the most devastating *punishment should* they dare to launch another attack, President Hussein's credibility could be further damaged if his armed forces have to concede more territory.

During the past eight days Iranian aircraft have reappeared *over Baghdad and the capital* has been shaken by three large *explosions, one of which* partially destroyed the headquarters of the Rafidain Bank.

The return of the war to *Baghdad after three years of* relative calm must be a depres*sing response to Iraq's diplo*matic efforts to secure a cease-fire, while intensifying economic pressure on Tehran through the year-long campaign to reduce Iran's oil exports from Kharg Island.

Iraq's frustration has been reflected by the increased missile and air attacks on Iranian cities, including Tehran, *and by its attempt to* halt civil airliners flying to Iran.

These actions appear unlikely to dent Iran's determination to *pursue the war and may even* be welcomed by the country's leadership as providing further evidence for the public of the need to remove President *Hussein from power.* The concept of an eye-for-an-eye figures *prominently in Shi'ite religious* doctrine, as Israeli troops have discovered in south Lebanon, and Iraq's *bombing* attacks on Iranian cities could bring forth yet more young men willing to die for their cause.

Far more potentially effective are the Exocet missiles being fired at *tankers* which have loaded Iranian crude. Liftings have declined substantially in the past two months and Iran's determination to conclude more barter deals underlines its concern about diminishing foreign currency flows.

Should the present offensive fail to achieve its objectives Iran can be expected to revert to much smaller scale warfare while it seeks to build up its oil sales and replenish its military stocks.

The depth of Arab concern at the renewed fighting was clearly expressed yesterday in the decision by President Husni Mubarak of Egypt and King Hussein of Jordan to fly to Baghdad. *They have feared,* as probably has Iraq's leader*ship*, that the persistence of Iranian attacks could again provoke at least a temporary collapse in morale among sections of the Iraqi army.

This is central to Ayatollah Khomeini's thinking. His personal struggle *against the Shah* lasted for well over a decade and *despite* pitting initially unarmed civilians against a well-equipped army, Khomeini's cause was eventually triumphant.

When Iraqi forces first crossed into Iran in September 1980 it was assumed, not just in Baghdad, than the war would *quickly end with Khomeini's* political collapse. Khomeini has, however, shown himself to be the most determined adversary. While he lives he is unlikely to renounce his ambitions, no matter how heavily the cards may at times appear to be stacked against him.

President Julius Nyerere

Unrepentant Socialist meets a free marketeer

By Michael Holman,

AN UNREPENTANT African Socialist and prominent spokesman *for* the Third World meets one of the West's leading exponents of the free market economy tomorrow when President Julius Nyerere of Tanzania holds talks with Mrs Margaret Thatcher, his host on a four day visit to Britain.

Behind the pomp and ceremony of yesterday's guard of honour in the quadrangle of the Foreign and Commonwealth Office, and today's lunch with the Queen, is a stark contrast in economic and political philosophies.

Mr Nyerere, leader of Tanzania since *independence in* 1964, presides over a one-party state.

Despite an acute economic crisis he resists the demands of the International Monetary Fund (IMF) and the World Bank for major reforms of his socialist system, convinced that in Tanzania, as elsewhere in Africa, he *believes, the loan terms of* these two major donors can do more harm than good.

"Tanzania is the economic equivalent of the aerodynamics of the bumblebee," a Western donor official once said, depressed by the continuing problems of one of the world's largest *per capita* aid recipients.

"*In theory, the bumblebee* shouldn't be able to fly, and Tanzania shouldn't be able to keep going."

Years of acute foreign exchange scarcity exacerbated by other factors have seen the country's infrastructure deteriorate seemingly to intoler*able levels.*

Major trunk roads go without *adequate maintenance,* industry runs at barely 20 per cent of capacity, with the much-vaunted social services and education programme hit by shortages of basic drugs and school supplies.

But for President Nyerere, the reasons for his country's economic *plight lie less in* Tanzania's own policy short*comings than a costly* combination of unavoidable problems and what it sees as an unfair international economic order.

He will put his case with characteristic wit and shrewdness, his authority backed by his unquestioned personal *probity and modest lifestyle,* in marked contrast to many *of his Third World colleagues.*

Although the country uses less fuel today than in 1973, oil imports now consume over half export earnings, a predicament shared by some other African states.

Drought and flood *have* hit export crops which account for 80 per cent of foreign-exchange earnings.

On top of these problems have come the break-up of the East African Community in 1977, and Tanzania's role in the overthrow of Uganda's Idi Amin, both costly events.

Yet in the view of many critics, much of the blame for Tanzania's decline, which as Mr Nyerere himself has acknowledged, has left most of the country's 20m people worse off today than a decade ago, can be traced to government *shortcomings.*

The regrouping of millons of peasants into villages in the mid-1970s in order to provide better social services was badly planned and implemented, left and right-wing critics alike agree.

A World Bank report has cal*culated that* Tanzania could have earned an additional $900m (£818m) between 1973 and 1981 if production of the six cash crops—coffee, cashew nuts, tea, sisal, cotton and pyrethrum—had merely been held at previous peaks.

The Tanzanian peasantry, said the report, "*has been economically squeezed, subjected to* frequent institutional changes, and co-erced"—a conclusion not dissimilar to the one reached by the French economist, Professor René Dumont, who sympathises with President Nyerere's aspirations.

President Nyerere is due to step down from office later this year, handing over in *all probability to the current* Prime Minister, Mr Salim Salim.

But he will remain a powerful figure—perhaps pre-eminent —for he will retain his post as chairman of the ruling Chama cha Mapinduzi party.

From that vantage point, most observers believe, he will ensure that Tanzania keeps to the Socialist path, certain that the fundamental problems are not of his own making.

Peking cracks down on profiteering and black currency deals

BY MARK BAKER IN PEKING

CHINA has launched a crack-down on official corruption and incompetence and vowed that many senior officials are likely to be stripped of their party membership and jailed.

At the same time Peking has announced moves to stamp out the flourishing foreign currency black market and curb speculative trading in scarce products.

A top *ranking official,* Bo Yibo, has warned that even very *senior party officials* and their families could face prison sentences. "We will not be soft on them," he said.

The campaigns are in response to mounting evidence that economic reforms unveiled last October have brought a spate of profiteering, misuse of government funds and threats of inflation.

They also follow the disclosure by nationwide audits that the central government lost about $1.2bn last year because of "irregularities" in state departments and enterprises.

The audits found that $568m was *lost because of* "excessive operation costs, unreported or concealed profits, fake losses, tax evasions and issuing of goods to employees," the official news agency Xinhua said.

A meeting of the powerful Central Discipline *Inspection* Commission of the ruling Communist Party last month declared that the reforms were *being* undermined by "an unhealthy wind" of official malpractices.

A report adopted at the meeting found that many officials had taken advantage of the liberalisation to start their own *businesses, indulge in specula*tion, raise prices and wages and *spend* public money on feasts and gifts.

Some officials had even attempted to sabotage the reforms, the report said. It warned that the malpractices were so serious and extensive that they could wreck the urban economic reform programme.

Highlighted in the report was a Hangzhou party official who *allegedly* spent $4,850 in five days entertaining a visiting *delegation* along with *her own* family and servants. Another case involved a government department which ordered hundreds of thousands of western suits to give to its workers, the report said.

The currency black market has been fuelled by China's dual currency system. Special foreign exchange certificates *(FECs) issued mainly* to foreigners and trade organisations in return for hard currency are needed to buy all imported goods and services in the best hotels, restaurants and department stores.

Tourists and foreign residents are harassed constantly by touts demanding "change money." In southern China, especially Canton, the money changers offer as much as three times the face value of FECs in the ordinary renminbi currency.

There is a smaller, but more *lucrative, black market* operating in actual foreign currencies, especially U.S. and Hong Kong dollars. Some official organisations may also have been involved in currency trading and speculation, using money obtained through Bank of China loans.

The unauthorised price rises, speculation and black marketeering were all contributing to inflation and must be stopped, the State Council indicated.

Fears over Gemayel accord with Christians

BY RICHARD JOHNS IN BEIRUT

A COMPROMISE reached yesterday between President Amin Gemayel and dissident Christian Lebanese Forces is expected to cause further problems with the Moslem communities and impair the Head of State's always difficult stance as a national leader *standing above religious differences.*

The agreement was reached after negotiations between Dr Joseph Hashem, the representative in the Cabinet of the Phalange Party from which the combined Christian militia last week declared its "independence," and two prominent leaders of the revolt against Syrian interference in Lebanon.

The compromise worked out was discussed yesterday by the politbureau of the Phalange Party, the predominant Christian political group.

Details were not immediately available but diplomats speculated *that any rapprochement* between President Gemayel and the Christian militias was likely to lead to greater polarisation between the Christian and Moslem communities.

This could prove another blow to the plausibility of Mr Rashid Karami's "Government of National Unity."

Lebanon's Christian Maronite community, meanwhile, has made a decisive shift towards a form of autonomy — with the danger of partition or at best confederation — as a result of a move by the Lebanese *Forces' dissidents* led by the pro-Israeli extremist Mr Samir Geagea to form a "Christian National Council to act as a Parliament and Government for the community.

They have also taken control of the fifth basin of Beirut Port, thereby ensuring an important source of revenue from customs duties badly required by the State which is edging towards insolvency.

Christian ranks are not united on the issue, however. The concept of a separate Parliament and government has been rejected by the Greek *Orthodox* community through their leader, Patriarch Agnatious Hazim.

Mr Nambih Berri, leader of the Shi'ite Amal movement, yesterday called on Christians to fight against Mr Geagea's *uprising. Mr Berri said he would* be given an opportunity to *abandon his* "*partitionist plan.*" Otherwise Moslems of Lebanon *would treat the Christians as if* they were Israelis.

Israel must make more budget cuts says IMF

By David Lennon in Tel Aviv

ISRAEL MUST cut another $1bn (£909m) from the state budget and allow unemployment to grow, in order to emerge from its current economic troubles, according to officials of the International *Monetary Fund.*

These recommendations were *contained in* a preliminary report which an IMF delegation presented to the Governor of the Bank of Israel yesterday, following its annual two-week study of the Israeli economy.

The delegation was critical of the package deal agreement between the Government, *unions and employers to control* prices and wages.

Price controls, slowing down the devaluation of the shekel, and reducing the subsidies on basic commodities are insufficient to solve the long-term economic problems, according to the report.

At the same time, the IMF team praised what it saw as the positive developments regarding the balance of trade, and the *drop in private demand.* In general, they also tended to agree with the recent steps taken by the Government.

The report notes that Israel was on the verge of a real economic crisis in 1984, but, for the moment, has avoided this.

However, to bring about a real improvement in the economy, it will be necessary to *cut at least another $1bn from* the state budget and allow unemploment to grow in a controlled recession.

The delegation recommends a thorough quarterly examination of Government expenditure to prevent overspending of the budget.

It *also advises that* the current policy of high interest rates be maintained.

These steps, the report said, could halt inflation and stabilise the foreign currency reserves.

Israeli officials said they were *delighted with what they saw* as the positive tone of the report. They expressed the hope that this would help improve Israeli's ability to obtain credits in the world financial markets.

Inquiry begins into bank shares collapse

By Our Tel Aviv Correspondent

THE COMMISSION set up to investigate the October 1983 collapse of Israeli bank shares on the Tel Aviv Exchange was begun hearing public testimony.

The general public, which lost heavily when the value of the bank shares dropped 50 per cent, has shown little interest in attending the open sessions, during which senior officials of the Stock Exchange and the banks are being questioned by a five-man tribunal.

The state *controller sharply* criticised the role of the government agencies and the central bank in a report on the crisis published at the end of last year. This led to Knesset (parliament) to establish a commission of inquiry.

The first two days of hearings were devoted to testimony by the chairman and director of the Stock Exchange. The head of the Israel Discount Bank will today begin testimony by the commercial banks.

Morocco to spend $1bn on arms in next five years

BY FRANCIS GHILES

KING HASSAN *of Morocco* has announced he will spend $1bn *(£909m) on arms* in the next five years.

He was speaking at the end of a visit to the Western Sahara in which his troops have been fighting for nine years against the guerrillas of the polisario Liberation Front who want independence for this former Spanish colony.

The Moroccan monarch added *that* the *Forces Armées* Royales must be modernised and made ready for a long fight.

Meanwhile, after 18 months of negotiation, the Moroccan Government and the 10 bank steering committee, representing 200 creditor banks, have agreed a rescheduling package for that part of the kingdom's bank debt which fell due between September 9, 1983 and December 31, 1984.

The accord is now being vetted by the 200 banks, more than two-thirds of which have already signalled their acceptance.

Under the terms of the agreement, 100 per cent of the *kingdom's* medium- and long-term debt *which fell* due between September 9 and December 31, 1983, and 90 per cent of that which fell due in 1984, is to be rescheduled over eight years, with a spread of 1¾ per cent over Libor and four years' grace.

In addition to the $535m thus rescheduled, the banks will maintain the $750m-worth of short-term trade credit lines they have so far. Some may *consider increasing them.*

Reflecting the bank's concern *about Morocco's economic* prospects, the agreement incorporates a covenant which commits the kingdom both to remaining a member "in good standing" of the IMF and to maintaining an IMF programme, if possible, throughout the life of the rescheduling.

A letter from the Banque du Maroc accompanies the agreement *and binds* the central bank to providing sufficient foreign exchange to *service the debt.*

The former *provision* is rare but does have a precedent in deals negotiated with such countries as Mexico and Yugoslavia.

Sabah snap poll called to check anti-Moslem anger

BY WONG SULONG IN KUALA LUMPUR

DATUK HARRIS SALLEH, Chief Minister of the East Malaysian State of Sabah, has called state elections for April 20, a year ahead of schedule, to check growing anger among the Kadazans, the largest racial *group in Sabah.*

Datuk Harris' ruling Berjaya Party swept to power nine years ago on the votes of the Kadazans, and the party controls 44 of the 48 seats in the State Parliament.

Although Berjaya is multi-racial, it has become increas*ingly pro-Moslem in* recent years, and this is being resented by the Kadazans, who are largely Christians.

Apart from feeling left out of the mainstream of economic development, the Kadazans, *who comprise a third of* Sabah's 1m population, are strongly opposed to the Government's policy of giving citizenship to Filipino and Indonesian migrants.

There are about 250,000 Moslem Filipinos and Indonesians in Sabah, and the Kadazans *fear their presence* would tilt the delicate balance in favour of the Moslem *communities.*

By calling a snap election, Datuk Harris hopes to give the Kadazan opposition little time to organise itself.

The Chinese, who form 20 per cent of Sabah's population, are also uneasy.

WORLD TRADE NEWS

Turkey in bid to save building work in Libya

BY DAVID BARCHARD IN ANKARA

TURKEY yesterday despatched a 10-member team of officials to Libya in an effort to save operations of more than 30 companies whose construction contracts are threatened with cancellation by the Libyan Government.

Libya has been the major market for Turkish contractors for almost a decade, but payments backlogs and conflicts with the Libyan authorities have dogged companies operating there. The Libyan authorities have complained on several occasions that many of the more than 130 Turkish companies working there are not properly qualified.

Last week Libya informed Turkey that operations by 30 companies mostly in housing projects, were being wound up.

"Libya has some problems with its oil income and its priorities have changed," said a senior Turkish Government official yesterday.

Turkey is expected to resist attempts to close any projects in Libya as its contractors would face bleak prospects without Libyan work. The Turkish construction industry has been in the doldrums at home for the past five years, and other markets in the Middle East are also in recession.

The other thorny problem awaiting the delegation in Libya is an estimated backlog of nearly $400m (£381m) owing to contractors.

Libya pays Turkish contractors either in crude petroleum on a barter basis, or in dollars or dinars. The crude-for-barter payment is unpopular with Turkish contractors who claim they tend to lose when the crude is re-sold on the oil market.

However, a senior official of the under-secretariat of the Treasury and Foreign Trade said yesterday that Turkey was considering stepping up the amount of crude oil taken in lieu of the debts above the present annual figure of 1.5m tonnes.

● Turkey is to phase out all its export subsidies by 1988, according to Professer Ekrem Pakdemirli, the under-secretary for the Treasury and Foreign Trade and the country's main economic policy overlord.

The decision will be resisted by Turkish exporters who have relied heavily on export tax rebates and subsidised interest rates since 1980. It follows the signature last month by Turkey of the General Agreement on Tariffs and Trade (Gatt) agreement on subsidies.

As an immediate result of the decision, subsidies on textiles are to be reduced to zero by the year-end Prof Pakdemirli said.

Export subsidies on food and agri-industrial exports are expected to be next in line after textiles, probably early next year. Subsequent export subsidies will be removed under a programme still being drawn up.

The subsidies in 1984 totalled around L350bn (£90m) according to unofficial estimates,

Taiwan appoints UK group as consultants for metro

A BRITISH consortium was appointed yesterday as consultants for a multi-million pound project to build a giant transport system in Taiwan, our trade staff writes.

British mass transit consultants will work with China engineering consultants on the 95-km Taipei metro, which will have 76 stations. The metro will be constructed in six stages, with the initial 34 km opening for service in 1991.

The consultancy project is understod to be worth several million pounds to the British consortium, which is led by consulting engineers Freeman Fox and includes Halcrow Fox and Associates, London Transport International, Kennedy and Donkin, the Design Research Unit, Charles Haswell and aPrtners, and Sir William Halcrow and Partners.

Miti drops Bill on software copyright

By Jurek Martin in Tokyo

JAPAN'S Ministry of International Trade and Industry has abandoned its controversial attempt to enact a law which, its critics charge, would have greatly reduced the protection afforded to the, mainly non-Japanese, authors of computer programmes.

Instead, Miti and the Ministry of Education will jointly propose to the Diet amendments to the existing copyright law, a process which is unlikely to produce the radical changes originally sought by Miti.

The decision, which is a victory for the Education Ministry and its usually little noticed subsidiary, the Cultural Affairs Agency, was conveyed yesterday to a U.S. delegation as another round of the talks on electronics trade began here.

Last year, the U.S. in effect joined forces with the Cultural Affairs Agency in temporarily blocking the Miti initiative. They contended that computer programmes are intellectual, not industrial, property and thus entitled to protection along the lines of international agreements,

The U.S. also said Miti's proposals would favour software users rather than authors and were thus a ploy designed to remedy Japan's widely acknowledged software deficiencies.

Miti's preference was for a "programme rights" law, the nub of which was that software should only enjoy a 15-year protection for copyright rather than the minimum of 50 years normally accorded "intellectual" works

As is often the case in Japanese bureaucratic infighting, however, Miti has secured some compensation for its defeat on software by winning the backing of the Education Ministry for another pending Bill to protect semi-conductor circuit diagrams.

The affair had cast Miti in a somewhat unusual light. With the exception of the Foreign Ministry, it has tended to be the most internationally minded of Japanese Government departs;

Michael Donne reports on three airlines' disputes with British Airways

Asean and UK in flights fracas

THE long-running battle between the UK and the airlines of the Association of South East Nations over the latter's desire to increase flying rights to Britain will come to a head when Mrs Thatcher visits south-east Asia in early April.

The Prime Minister will be left in no doubt that the airlines involved—Malaysian Airlines Systems (MAS), Philippine Airlines (PAL) and Singapore Airlines (SIA)—feel deeply hurt by what they regard as unfair and discriminatory treatment by the UK over their bids for increased flight frequencies to the UK.

Each case differs in its details, but in effect the result is the same—the inability of the Asean airlines to win the additional flight frequencies they seek.

In the MAS case, that airline and British Airways have long differed in their view of traffic between the UK and Malaysia, and the frequencies needed to meet the demand.

Recent tax legislation in Malaysia, which removes tax exemptions for foreigners working there, unless they fly by MAS, when travelling on leave, has aggravated the difficulties. It has annoyed both British Airways and other foreign airlines who claim it discriminates against them.

Singapore Airlines has a different problem. It has been seeking for some time rights to fly to Manchester, but has been told by the UK that it can only have such rights if it cuts its flights to Heathrow.

Philippine Airlines' case varies yet again. It caims that the UK unilaterally reduced PAL's frequencies to London from Manila from three a week to two, despite an air agreement between the two countries which provided for three flights weekly. BA had flown only twice a week, but PAL decided to take full advantage of its rights and tried to fly three times weekly last summer.

The UK Department of Transport varied PAL's permit, arguing that the airline's operations did not conform with the general principles of the air agreement.

PAL took the Department to the UK courts, and won, only then to be told that the UK was terminating the air agreement, from this October. PAL believes the UK aim is to enforce a renegotiation, to the Philippines' detriment.

In retaliation, the Philippines has already eliminated the UK as a potential supplier of up to £200m-worth of airliners it will be seeking over the next few years. This in turn, has caused British Aerospace, a major supplier of aircraft in the past to the Philippines, to protest strongly to the UK Government.

The UK's general position is that where reasonable traffic growth is expected on any route, it is prepared to negotiate increases in frequencies under the normal bilateral air agreements.

It also claims that the Asean airlines have themselves been operating contrary to the letter of those agreements.

Particularly, the UK argues that much of the traffic being carried by some of the Asean airlines is not direct end-to-end traffic between the countries concerned, but onward traffic, especially to and from Australia but also to other parts of Asia.

The bilateral pacts allow for a "reasonable" amount of such onward traffic, but the UK feels the Asean airlines have been interpreting them too liberally.

Further, if all the Asean carriers' desires for higher frequencies were granted, BA's revenues would be hit, perhaps by as much as £10m to £15m a year.

The Asean airlines feel just as strongly that they are being hard done by.

They argue that the UK Government preaches the virtues of competition, seeking either "open skies" pacts or "dual designation"—effectively seeking increased rights for UK airlines on overseas routes.

British Airways says it is not afraid of competition and is prepared to meet it head on.

Yet the foreign airlines feel that when they offer it, they are denied the opportunity of doing so, either on grounds that traffic levels will not justify it, or that it will damage BA by eroding its revenues.

All the Asean airlines involved are mounting publicity campaigns in the UK to make their points. SIA is taking full-page advertisements in major newspapers, in a bid to make the UK change its mind.

Mrs Thatcher will be left in no doubt that, in the Asean airlines' view—and that of their governments—competition is a two-way street, and that if the UK wants other countries to be more liberal in their air transport affairs, then it must look to its own policies.

U.S. steel makers raise prices

BY NANCY DUNNE IN WASHINGTON

WITH the Reagan Administration tightening the noose around steel imports, American steel producers have begun to raise prices, according to industry analysts.

U.S. Steel Corporation has increased prices on carbon structural steel used in the construction industry on orders from April 1. The cost of the company's basic carbon structural steel shapes will also rise.

By the end of the month, Bethlehem Steel will increase prices on wide flange, standard structural shapes and H-piles in a move the company said will restore prices to April, 1982, levels. Discounts for new business will be reduced.

Speciality steel producers have also raised prices, and the now-controlled import prices are expected to move up as well. As in the case of the Japanese car import quota to the U.S., overseas producers may choose to push up the value of shipments to compensate for U.S. import restrictions, industry officials say.

Meanwhile the office of the U.S. trade representative has negotiated a voluntary restraint agreement on steel with Czechoslovakia for a 40,000 tonne limit per year over the next five years.

After months of negotiation, an agreement with Japan was announced last week for 5.8 per cent of the U.S. market over five years. The pact is believed to cover six categories and seven subcategories of steel.

Similar voluntary reduction arrangements have been concluded with Spain, Brazil, Mexico, South Africa, Finland and Australia.

A pact with South Korea reportedly must be revised because it includes controls on oil well drilling platforms. When the U.S. concluded its agreement with Japan, American officials apparently accepted the argument that inclusion of drilling platforms expands steel quotas to downstream products. These will now be dropped from the Korean arrangement as well.

The Trade Representative's office is preparing for consultations next week with a resentful EEC. The U.S. is seeking to widen its current accord from 10 to 27 products, including semi-finished steel and steel wire.

Adding to the pressure against the Community is a ruling by the Court of International Trade in New York last week, which may set an uncomfortable precedent.

It ruled that the Commerce Department may assess countervailing duties against British Steel Corporation imports of stainless steel sheet, strip and plate because of government assistance in restructuring and modernising the company.

French bank in second Chinese leasing venture

By David Dodwell in Hong Kong

BANQUE Nationale de Paris has this week signed its second joint venture leasing project in China in a week. It will be incorporated in Shenzhen, the economic zone bordering Hong Kong, and is backed by the Bank of China, two Chinese corporations and two other international banks.

The French bank has been keen to promote leasing ventures in mainland China, where many corporations are seen to be short of foreign exchange and unable to afford equipment from overseas except on leased terms.

According to Zhang Hongyi, general manager of the Bank of China in Shenzhen, South China International Leasing will be responsible for leasing and subleasing items made in China and abroad.

Mitsubishi, Daimler-Benz in link-up

By John Davies in Frankfurt

DAIMLER-BENZ of West Germany and Mitsubishi of Japan are to co-operate in producing a light commercial vehicle in Spain for some European and North African markets.

The commercial vehicle, based on Mitsubishi's L-300 series, will be assembled from the end of 1987 at the factory of Mercedes-Benz Espana at Vitoria, in northern Spain. Initial output will be 10,000 a year, according to the West German car and truck group.

Mitsubishi imports all of its L-300 range of vans and light trucks from Japan and has been building up its European market share in the light commercial vehicle sector.

Mercedes-Benz Espana is a majority-owned subsidiary of Daimler-Benz, which has a 64.2 per cent stake alongside Spanish and Saudi Arabian partners.

The Vitoria plant already produces a range of lightweight transporters with a load capacity of between 850 kg and 1,800 kg.

The joint venture will round out the production range by adding a smaller model, able to carry loads of up to 800 kg. The vehicle will be equipped with diesel engines from the Daimler-Benz engine factory in Barcelona.

Co-operation with Mitsubishi is part of a major overhaul of the Spanish operation to modernise the production range and to boost capacity utilisation.

In addition to being modernised, the existing models will be adapted to meet European Community technical requirements, in anticipation of Spain's entry into the EEC. The new model range will go into production from the end of next year.

Production at Vitoria has been declining under the impact of the weak Spanish market. About 8,200 commercial vehicles were produced last year, compared with 9,172 in 1983 and 12,232 in 1982.

But Daimler-Benz now plans to increase capacity of the Spanish operation from its present 24,000 to about 29,000 a year through removing bottlenecks in production.

BASE LENDING RATES

A.B.N. Bank	14 %	Johnson Matthey Bkrs.	14 %
Allied Irish Bank	14 %	Knowsley & Co. Ltd.	14½%
Henry Ansbacher	14 %	Lloyds Bank	14 %
Amro Bank	14 %	Edward Manson & Co.	15 %
Associates Cap. Corp.	14 %	Meghraj & Sons Ltd.	14 %
Banco de Bilbao	14 %	Midland Bank	14 %
Bank Hapoalim	14 %	■ Morgan Grenfell	14 %
BCCI	14 %	Mount Credit Corp. Ltd.	14 %
Bank of Ireland	14 %	National Bk of Kuwait	14 %
Bank of Cyprus	14 %	National Girobank	14 %
Bank of India	14 %	National Westminster	14 %
Bank of Scotland	14 %	Northern Bank Ltd.	14 %
Banque Belge Ltd.	14 %	Norwich Gen. Trust	14 %
Barclays Bank	14 %	People's Tst & Sv. Ltd.	15 %
Beneficial Trust Ltd.	15 %	Provincial Trust Ltd.	15 %
Brit. Bank of Mid. East	14 %	R. Raphael & Sons	14 %
■ Brown Shipley	14 %	P. S. Refson	14 %
CL Bank Nederland	14 %	Roxburghe Guarantee	14½%
Canada Perm'nt Trust	14 %	Royal Bank of Scotland	14 %
Cayzer Ltd.	14 %	Royal Trust Co. Canada	14 %
Cedar Holdings	14 %	■ J. Henry Schroder Wagg	14 %
■ Charterhouse Japhet	14 %	Standard Chartered	‖14 %
Choulartons**		Trade Dev. Bank	14 %
Citibank NA	14 %	TCB	14 %
Citibank Savings	¶12½%	Trustee Savings Bank	14 %
Clydesdale Bank	14 %	United Bank of Kuwait	14 %
C. E. Coates & Co. Ltd.	14½%	United Mizrahi Bank	14 %
Comm. Bk. N. East	14 %	Westpac Banking Corp.	14 %
Consolidated Credits	14 %	Whiteaway Laidlaw	14½%
Co-operative Bank	*14 %	Williams & Glyn's	14 %
The Cyprus Popular Bk.	14 %	Wintrust Secs. Ltd.	14 %
Dunbar & Co. Ltd.	14 %	Yorkshire Bank	14 %
Duncan Lawrie	14 %		
E. T. Trust	14½%		
Exeter Trust Ltd.	14½%		
First Nat. Fin. Corp.	15½%		
First Nat. Secs. Ltd.	14½%		
■ Robert Fleming & Co.	14 %		
Robert Fraser & Ptns.	14½%		
Grindlays Bank	‡14 %		
■ Guinness Mahon	14 %		
■ Hambros Bank	14 %		
Heritable & Gen. Trust	14 %		
■ Hill Samuel	§14 %		
C. Hoare & Co.	†14 %		
Hong Kong & Shanghai	14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11%, 1 month 11.75%. Fixed rate 12 months £2,500 11.75%, £10,000 12 months 12.00%.
† 7-day deposits on sums of under £2,000 11%, £2,000 up to £10,000 12%, £10,000 up to £50,000, 12¼%. £50,000 and over 12½%.
‡ Call deposits £1,000 and over 11%.
‖ 21-day deposits over £1,000 12½%.
¶ Mortgage base rate.
§ Demand deposits 11%.
** See Provincial Trust Ltd.

TO THE HOLDERS OF
LPC INTERNATIONAL FINANCE N.V.

8% CONVERTIBLE SUBORDINATED DEBENTURES DUE 1989

NOTICE OF DECLARATION OF DISTRIBUTION TO HOLDERS OF COMMON STOCK

NOTICE IS HEREBY GIVEN by LPC INTERNATIONAL FINANCE N.V. (the "Company"), pursuant to Sections 1104F and 1106 of the Indenture dated as of June 15, 1979 (the "Indenture"), among the Company, Lear Petroleum Corporation, as Guarantor (the "Guarantor"), and Citibank, N.A., as Trustee, under which the above captioned Debentures were issued, that (i) the Guarantor will make a distribution on May 15, 1985 to holders of the Guarantor's Common Stock, $0.10 par value, of Depositary Units ("Units") representing limited partnership interests in Lear Petroleum Partners, L.P., a limited partnership (the "Partnership"), on the basis of one Unit for each 20 shares of the Guarantor's Common Stock held of record at the close of business on March 29, 1985 (the "Record Date"), and (ii) as a result of that distribution, the adjusted conversion rate for each Debenture is 45.2347 shares for each $1,000 principal amount of Debentures (equivalent to a conversion price of approximately $22.11 per share of Lear Common Stock). The Partnership has filed with the United States Securities and Exchange Commission a Registration Statement covering this distribution, which Registration Statement has become effective. The distribution of the Units does not represent new financing or refunding and is being made by the Guarantor as a security holder of the Partnership. Persons who are not United States citizens are ineligible to be holders of record of the Units and will acquire no rights in the Units other than the right to resell the Units to a United States citizen.

A written Prospectus meeting the requirements of Section 10 of the United States Securities Act of 1933, as amended, may be obtained from Lear Petroleum Partners, L.P., 950 One Energy Square, 4925 Greenville Avenue, Dallas, Texas 75206, Attention: Mr. H. Monroe Helm, III. Holders of record of the Guarantor's Common Stock on the Record Date will be mailed copies of the Prospectus.

LPC INTERNATIONAL FINANCE N.V.
De Ruyterkade 62
Curacao, Netherlands Antilles

Dated: March 18, 1985

BANQUE INTERNATIONALE DE GESTION ET DE TRESORERIE (B.I.G.T.)

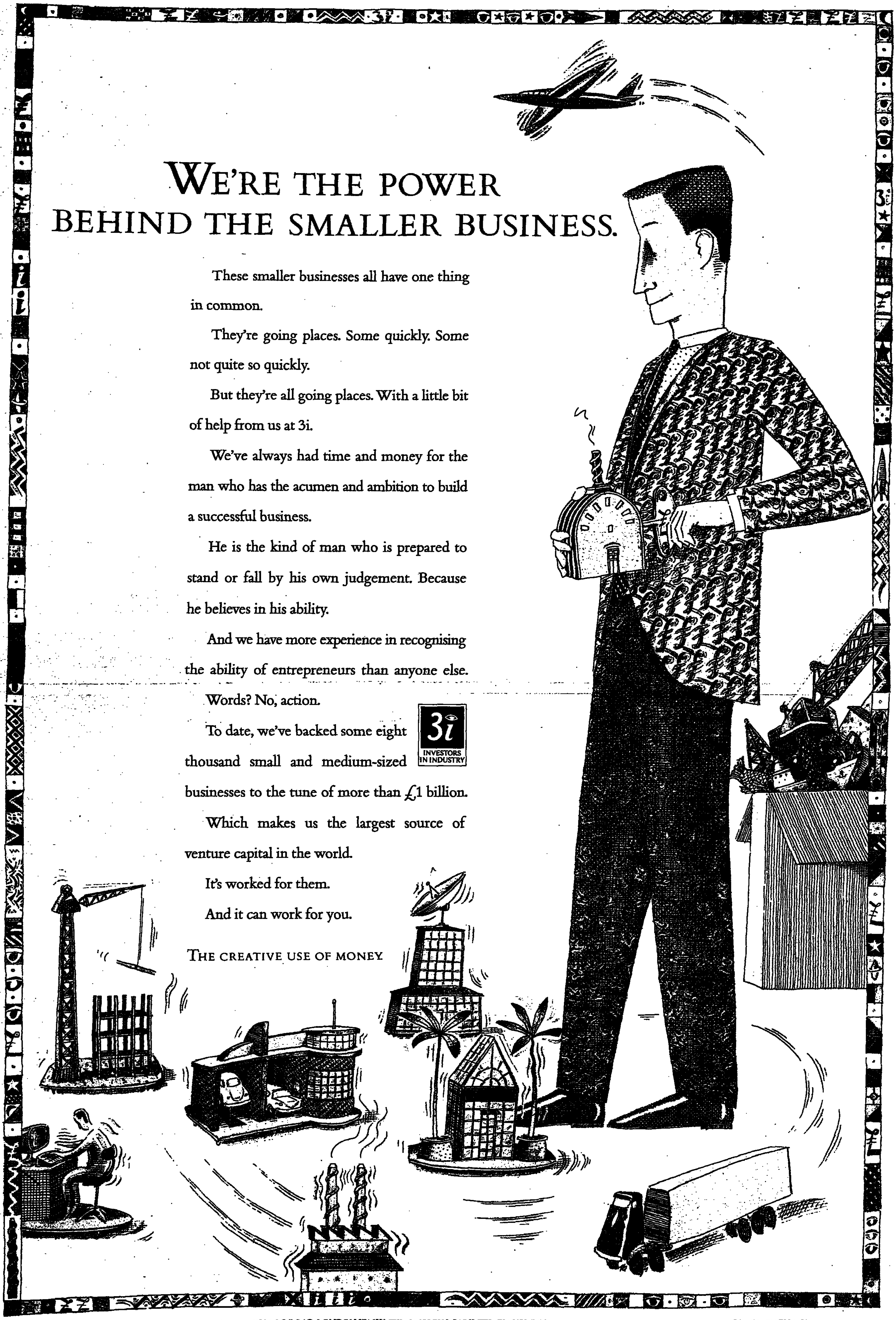
PARIS

ANNUAL GENERAL MEETING

At the Annual General Meeting of Banque Internationale de Gestion et de Trésorerie (B.I.G.T.) Paris, under the chairmanship of Mr. Georges Smolarski, the shareholders — Crédit Lyonnaise, Caisse Centrale des Banques Populaires and Banque Française du Commerce Extérieur — have approved the 1984 results.

On December 31, 1984, the balance sheet amounted to FRF. 7,089 million against FRF. 5,861 million the previous year.

Net income after tax and provisions raised to FRF. 16.05 million against 11.82 for 1983 and the dividend to FRF. 54.80 against 52.50 per share, plus tax credit.


WE'RE THE POWER
BEHIND THE SMALLER BUSINESS.
These smaller businesses all have one thing in common.
They're going places. Some quickly. Some not quite so quickly.
But they're all going places. With a little bit of help from us at 3i.
We've always had time and money for the man who has the acumen and ambition to build a successful business.
He is the kind of man who is prepared to stand or fall by his own judgement. Because he believes in his ability.
And we have more experience in recognising the ability of entrepreneurs than anyone else.
Words? No, action.
To date, we've backed some eight thousand small and medium-sized businesses to the tune of more than £1 billion.
Which makes us the largest source of venture capital in the world.
It's worked for them.
And it can work for you.
3i
INVESTORS IN INDUSTRY
THE CREATIVE USE OF MONEY.

TECHNOLOGY

EDITED BY ALAN CANE

BL AND ALCAN APPLY FOR PATENT IN ALUMINIUM AUTOMOBILE BODIES

Towards the glued, lightweight car

BY JOHN GRIFFITHS

BL TECHNOLOGY, the State-owned vehicle maker's research arm, and an Alcan Aluminum research subsidiary have applied for a patent on what they are describing as the first known method for economical, high-volume production of vehicle structures in sheet aluminium.

The technology, developed jointly by the companies, should allow the volume production of cars with aluminium frames, the components of which are primarily adhesive-bonded rather than welded. Plastic body panels, in turn, would be adhesive bonded to the aluminium frame.

The resulting vehicle body would be much lighter than a conventional one made primarily of sheet steel. There is also the valuable knock-on effect that smaller, lighter engines, transmissions and suspension components could be used to achieve similar performance to existing vehicles, but with vastly improved fuel consumption.

BL Technology and Alcan International, the Canadian aluminium group's UK-based research company, have already demonstrated the feasibility of a 50 per cent primary weight saving compared with a conventional spot-welded steel structure, via the three ECV 3 research cars BL Technology is using to evaluate a wide range of engineering and technology options for the future.

The key to the new process is pre-treatment of the aluminium with a coating which is crucial to long-term strength and durability of the bonds.

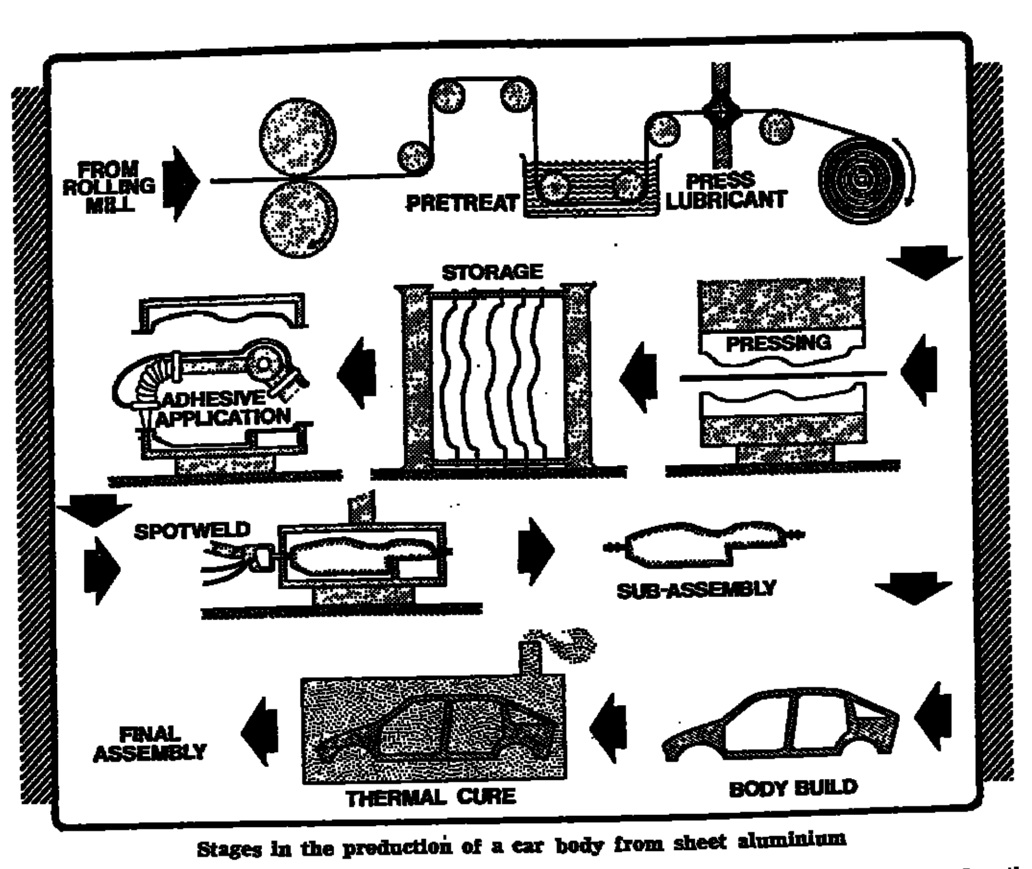
The aerospace industry already has considerable experience of high-strength bonded aluminium structures (they are used in the Space Shuttle, for example). But the route followed by the aerospace industry, in which aluminium structures are first fabricated, then pre-treated either individually or in batches, is neither practical nor tenable in cost terms for an industry which needs to produce cars in high volumes and under severe cost constraints.

Thus BL Technology and Alcan have devised the production process shown in the accompanying illustration, using Boeing's 5555 phosphoric acid anodising process as the pre-treatment performance standard.

The aluminium originates within the vehicle manufacturing plant in coil form, which is fed continuously first through a pre-treatment bath to coat it, then through a lubrication facility to allow it to be pressed. The companies say the individual components can be stored for considerable periods without adverse effect on the subsequent bonding process.

The surfaces to be mated then have adhesive applied—at which point two principal problems needed to be overcome. First, the structural adhesive had to be formulated so as not to be adversely affected by the pressing lubricant. Second, the choice of thermally-cured toughened epoxies as adhesives providing maximum strength meant some system had to be devised to hold the components together accurately prior to curing.

This meant either a jigging technique—again, inappropriate for high-volume production—or other fastening techniques. So the pre-treatment and adhesive materials have been made compatible with spotwelding processes, which fulfil a dual function of holding the components together prior to curing and providing the strength to withstand peel forces in a crash—a weak area if adhesives only were to be used.



Stages in the production of a car body from sheet aluminium

Only about 30 per cent of the number of welds used on a conventional steel body are required, however.

The proclaimed advantages of the technology, apart from weight-saving, include high corrosion resistance, durability, good crash resistance and elimination of the need for paint primers, joint sealers or anti-corrosion treatments.

No less significant is the fact that, to a considerable degree, formation of the aluminium structure at least is compatible in several important areas like pressing and spotwelding with existing manufacturing systems.

There is still a cost premium compared with a conventional steel body. This is of the order of £100, at present prices, in raw material alone, and the bonding process itself is more expensive. But there are a number of off-setting factors: the savings available through using smaller, lighter mechanical components; seam-sealing to prevent leaks no longer being required; paint being needed only for cosmetic purposes, not to perform a protective function, and reduced capital investment in spotwelding facilities.

As the process looks now, says Dr David Kewley, BL Technology's chief engineer in charge of new materials and process, it is likely that the remaining cost premium would be recovered in less than 20,000 miles through improved fuel consumption, thanks to the lighter weight, and this is to ignore other cost benefits such as the expectable enhanced resale value of a vehicle which is not prone to rust.

Russian moves to exploit video

IF POLITICAL observers in the West are feeling hopeful about the appointment of Mr Gorbachev as the new Soviet leader, perhaps President Reagan's quip "you ain't seen nothing yet" may soon become an oft-repeated phrase. For if industry and technology have any part to play in improving East-West relations, the Soviet Union had already made a small but significant step months before Mr Gorbachev's ascendancy—deciding that the time had come to make a more effective use of film, television and video in promoting exports to the West.

The move came late last year when the USSR's trade and industry organisation, Vneshtorgreklama, sought the assistance of the British publishing house Alain Charles to obtain speakers for a seminar in Moscow. The purpose of the exercise: to show Soviet industrial officials, advertising managers and film and TV producers how the West is using screen media as a promotional aid, and how both the technology and creative styles of Western screen media might be relevant to a Soviet export drive.

The seminar took place in Moscow three weeks ago, attended by 400 people from various parts of the USSR. For the three British speakers who provided the two-day presentation—Mr Douglas Kentish of Illustra Communications, Mr Tubby Pitcher of Ogilvy & Mather and myself—it seemed a serious and earnest attempt to let Western ideas and technologies into the Soviet Union; and with no holds barred. Mr Kentish even presented a 30-minute video kaleidoscope of one night's viewing on British television—hopping between all four channels, from news to soap operas, TV commercials to current affairs programmes.

But the first surprise came for the British rather than the Soviets when realising that there was no technical problem in coping with VHS and U-matic video cassettes of 625-line PAL standard. The USSR is taking video very seriously, and for the seminar the organisers even provided PAL video projection along with 35mm and 16mm film in a modern 1200-seater auditorium.

Not surprisingly, the video equipment is of Japanese origin. But through an arrangement with Hitachi, the USSR is now producing its own SECAM versions of VCRs in VHS format. Last year they claim to have made about 50,000 and expect to produce 350,000 this year (but reliable statistics in the USSR are hard to find).

The nation has a powerful tradition in film, and Western producers of industrial films may be envious to learn that 35 mm is still the normal gauge; only two studios (out of about 40) shoot on 16 mm film, and many ministries not only have their own film units but some even run their own processing laboratories.

The video revolution has yet to hit the USSR film industry—whether for entertainment or industrial purposes. Annual cinema admissions at 4,500m are over 16 times the population (Britain's are less than parity). And videocassette machines are still very rare in industry.

Unexpectedly, the USSR has enthusiastically embraced broadcast television. With somewhere near 100m TV receivers in use, the country is close to 100 per cent penetration of homes. Only the drab quality of Soviet television and the absence of video is protecting those extraordinary cinema statistics.

Video & Film

BY JOHN CHITTOCK

If the audience at last month's seminar is anything to go by, Western television programmes and styles of humour would be well received. Included in the presentations, for example, were showreels of international prize winning TV commercials from countries as different as Spain, Japan, the U.S. and Britain; all were hugely appreciated, including such zany commercials as John Smith's performing dog in the public bar.

British television technology was also presented through videotape demonstrations of equipment such as Quantel's Paint Box — which allows producers literally to create paintings on a television screen by electronics alone. Perhaps the most interesting demonstration of the state of the communications revolution, however, was a videocassette recording of Moscow television — made in England on a PAL VHS cassette through a Luxor dish aerial aimed at the Gorizont satellite, and played back in Moscow via a Sony video projector.

The point about the latter demonstration was more than technical wizardry (the quality was better than most domestic viewers receive off-air); it offered an important idea to the Russians — how to reach some television viewers in the West without paying for air-time or running the obstacle course facing sponsored films on television. Satellite dishes are already pulling in Moscow televisions for Western viewers at numerous exhibitions and conferences, even at Harrods.

The initiative of the USSR in seeking this seminar extended to the point of inviting frank criticism of a showreel of their own industrial and advertising films. These covered subjects such as Tupolev jet airliners, wrist watches and a look-alike Xerox-type copying machine. The view of all three speakers was fairly unanimous—technically excellent, lacking creative sparkle and quite a long way to go in grasping the shrewder principles of marketing and the need for hard technical information in industrial films.

Nonetheless, the occasion was remarkable for having happened at all, and at the initiative of the Soviet trade organisation. In the past, many film and television delegations have been on exchange visits between the USSR and Britain, but never before with such an open and declared attempt to stimulate trade.

It can have two-way benefits. If the USSR becomes more conditioned to the use of video and film as a marketing medium, the general excellence of British industrial programmes should give our own exporters a head start. An example of this was the good reception accorded to a very simple video programme—winner of an FT Export Award—made to promote the Paddy Hopkirk Explo-safe petrol can; it was clearly rare for Russians to see such a cogent demonstration of a technical product and it was appreciated.

The proscenium curtain has been lifted a little. With me I was able to take letters from the organisers of both the U.S. and British industrial film festivals, each inviting the Soviet Union to participate in those events for the first time. Hopefully they will, perhaps also making some use of British production facilities as a way of quickly assimilating Western styles—which they recognise are needed if they wish to sell successfully to the West.

Over half a century ago, the Russian film-maker Dudovkin wrote "film is the supreme medium in which we can express ourselves today and tomorrow." The Soviet Union has been following that advice, but only internally. Industry and technology—less sensitive subjects than politics and culture—provide an excellent way for the USSR to open up its borders, with video and film as the catalyst.

HEALTH

Portable heart starters

A SMALL company formed after a management buy-out is trying to interest health authorities in Britain with portable defibrillators which by an electric stimulus restore the heart beat of people suffering cardiac arrest.

Temtech, based in Bangor, Northern Ireland, sells a range of machines for this application with prices in the range £1,000-£5,000. Most equipment of this kind used in Britain is made by American suppliers such as Hewlett Packard or Physiocontrol.

Temtech has just announced a new defibrillator, the Liteguard 9, which weighs 9 kg and can be powered either by a battery or by the mains supply. The machine restores the heart beat with a series of electric impulses, which are controlled via a computer-style keyboard according to the type of patient under treatment and the severity of the condition.

The £4,200 machines also has a display which shows the waveform of the heart beat, so that the operator can monitor the effect of the stimuli.

The hardware is suitable for casualty departments of hospitals. Other machines sold by the company can be carried in ambulances.

Temtech, which employs 50 people, had annual sales last year of about £1m, some 90 per cent of which were exports. This year it hopes to sell equipment worth £2.2m.

Formerly owned by Ipco of New York and called Coronary Care Systems, Temtech was relaunched three years ago after two employees took over control of the company. Andrew O'Hara, the managing director, and John Anderson, engineering director, raised £60,000 to establish the new company. A third founder was Jim Shields, a business associate of Mr O'Hara.

An American company called Survival Technology—which distributes the products of the Northern Ireland company in the U.S.—has since taken a 10 per cent stake in Temtech.

Dominic Lawson on the Government's explanation for a controversial decision

Why the Sleipner gas deal was vetoed

THE SLEIPNER Memorandum sounds like one of those paperback thrillers purchased at airport and railway bookstalls.

It is, in fact, the long-awaited detailed explanation from the Department of Energy for its decision last month to turn down what would have been the biggest foreign trade deal in UK history – a $30bn purchase by the British Gas Corporation of gas from Norway's Sleipner field, in the North Sea.

The handing over of the Sleipner Memorandum to the energy select committee of the House of Commons last Wednesday might have been expected to provoke some searching analysis, particularly by those who believed that the Government had given insufficient reason for the rejection of a deal that took British Gas and Statoil of Norway two years to negotiate.

The Government, however, chose the same day to announce a genuinely sensational decision – the abolition of the British National Oil Corporation. The result is that the Sleipner Memorandum has not been reviewed by the critics.

The official reason, given by Mr Peter Walker, the Energy Secretary, was that over the past year 6.2 trillion (million million) cu ft (tcf) of gas have been discovered in the UK sector of the North Sea. Mr Walker said that since the Sleipner field contained 7 tcf, "the UK continental shelf now seems likely to provide sufficient gas to meet the needs of the British market well into the 1990s."

Sleipner gas would have flowed from 1991 to 2010 at a rate equivalent to about 30 per cent of British Gas's requirements.

Subsequent investigation by the energy select committee concentrated on a farcical attempt to "find" the gas, as if the figures given by Mr Walker represented some kind of gasfield mirage, that did not exist unless it was given a name.

No MP thought to ask whether it had originally been assumed that no gas would be discovered in the UK in the period after British Gas had been given the go-ahead to negotiate with Statoil. No MP asked whether the development and production of all the discoveries of UK gas would present considerable technical and infrastructural problems.

Armed with the "new gas," the Sleipner Memorandum presents an extraordinary graphic display of UK gas supply and demand to the year 2005. This shows gas supplies exactly in line with British Gas's demand forecast. Or, in the language of the thriller on the bookstall, "Not a therm more, not a therm less."

Even this central case relies on a growing amount of supplies – up to 470bn cu ft a year by 2005 – from "future discoveries," or in plain man's language, "gas we haven't discovered but jolly well ought to."

By "central case," the forecaster means that which has a 50 per cent chance of being too low and a 50 per cent chance of being too high. So, even if the Energy Department central case is to be taken at face value, undiscovered gas and all, there is still a 50 per cent chance that British Gas will be caught short, leaving aside all the complexities involved in extremes of seasonal demand.

Last December, Mr James Allcock, the British Gas director who negotiated the Sleipner deal, told the FT European Gas Conference: "Some would say that if on a 50 per cent profitability assessment we could manage without imports, we should. Let me ask you this. If you had the legal responsibilities of British Gas, would you accept an even chance of being short?"

The Government has answered that question, though perhaps not in the way that Mr Allcock had imagined.

Needless to say, the Sleipner Memorandum publishes a lower case forecast, which shows a need for imports from 1994 onwards. The low case assumes that recoverable UK gas reserves will be 10 per cent lower than presently estimated.

It is a frequently unobserved fact that gas reserves can be downgraded as well as upgraded. What actually happened last year on the UK continental shelf was that an extra 7.5 tcf of "new gas" was identified. A total of 5.5 tcf was attributable to better than expected appraisals of known discoveries and the remaining 2 tcf represented new fields. So the new 6.2 tcf of gas disguises a downgrading by 1.3 tcf of what had earlier been seen as "reliable" gas.

The history of North Sea exploration is littered with examples of fields which originally looked enormous and ended up looking distinctly uncommercial. The Bosun gas field was one such chimera.

The Sleipner Memorandum also cites the foreign exchange cost of importing Sleipner gas. The balance of payments cost is cited at £2.4bn a year.

These arguments are of purely metaphysical interest, not just because they base the costs into the next century on today's distorted exchange rate, but also because they are designed to rationalise a decision already taken.

The unwritten epilogue of the Sleipner Memorandum should read: "We will most likely end up buying some foreign gas in the next decade. It will probably be Dutch gas (or displaced Soviet gas). It will almost certainly have to be paid for in dollars and almost certainly will be no cheaper, landed in the UK, than the Sleipner gas."

Notts miners' leaders defy national union over ballot

BY PHILIP BASSETT, LABOUR CORRESPONDENT

LEADERS of Nottinghamshire miners in the English Midlands yesterday decided against holding a ballot this week which has been called for by the National Union of Mineworkers (NUM).

Notts miners led the unsuccessful calls for a national ballot in the year-long strike, during which the majority in the coalfield continued to work.

The executive of the Notts area NUM decided not to comply with a decision of the national union executive which called for a ballot on its proposal that NUM members contribute indefinitely 50p per week to support miners dismissed for misconduct during the strike. Over 700 were sacked, although some have since been reinstated.

The area's ruling council is likely to endorse the executive decision next Monday, although by then it will be academic as the ballot is set for later this week – possibly starting with late-shift workers tomorrow.

The position over a ballot between the national NUM and the Notts area is thus reversed from that of the strike. Perhaps mindful of that, leaders of the Notts area were saying little after taking the decision yesterday. However, one did say: "The feeling in this area is that the levy will not be paid."

The area executive's decision will further strain relations between Notts and the national NUM, already pushed close to breaking point both by the area working during the strike and by decisions since. Notts has withdrawn from the union's national overtime ban and last week formed with two other NUM areas a new "democratic" grouping in the union.

Notts leaders argued yesterday at their meeting that the High Court's sequestration of the union's funds during the strike meant that its national leaders were not legally empowered to handle the funds that a levy would produce.

Others said that members in Notts were unwilling to pay money to help support those who had opposed them.

The area executive decision followed a meeting between Notts NUM leaders and the National Coal Board (NCB) area directors. Nominally called to discuss pension issues, the meeting helped to strengthen the relationship between the NCB and the moderate area leadership – some of whom are keen to negotiate separately with the NCB, especially on its 5.2 per cent pay offer outstanding since November 1983. The NUM's overtime ban was called before the strike began in protest at this offer.

The Notts area NUM is to challenge a High Court ban on its dismissal of the area's left-wing general secretary, Mr Henry Richardson.

Rail must bear losses, Page 14

Partnership will buy Falmouth Shiprepair

BY ANDREW FISHER, SHIPPING CORRESPONDENT

BELLWAY, the house construction company and A and P Appledore, the shipbuilding consultants are to buy Falmouth Shiprepair from state-owned British Shipbuilders for £1.75m cash.

The partnership, which will initially own 90 per cent of the joint venture company, has beaten the privately-owned Cenargo shipowning company in the battle for the profitable Cornish repair yard.

A and P Appledore, which obtained a full stock market listing last October, will manage the yard. It already manages repair yards in Gibraltar, Greece, Dubai, and Malaysia. The company, which has also helped many countries build up their shipbuilding industries, will raise its stake to 50 per cent, once its shareholders have approved the purchase.

The Falmouth yard made a pre-tax profit of £855,000 in the financial year to March 31, 1984, on sales of £7.4m. In the year about to end, profits are expected to be much less because of the increasing toughness of the repair market.

The Falmouth sale, approved by the Government some days ago, will, said Mr Terence Mordaunt, a Bellway director, "end a long period of uncertainty both at the yard and within the community at Falmouth." At one time, the management and workforce attempted to mount their own buy-out.

● British Shipbuilders has won a £45m order – one of its largest merchant contracts and the first of its kind in the UK – to build a crane-ship capable of lifting 4,000 tonnes.

The contract, placed by ITM (Offshore) of Middlesbrough, is the latest in a string of merchant orders won by state-owned BS yards. It brings the value of merchant work won so far in 1985 to £165m. The new ship will be built in Sunderland.

Acting for BS in the deal, part of the group's policy of withdrawing from all non-mainstream shipbuilding activities, was merchant bank Morgan Grenfell. Henry Ansbacher advised Bellway and Appledore, which has no connection with BS's own Appledore merchant yard in Devon.

Mr Peter Nash, chairman of A. and P. Appledore, said of the deal, to be concluded tomorrow, that Falmouth would be the first repair yard in which his company had an equity stake. The yard was on one of the busiest shipping lanes in the world and its deep-water harbour could take vessels up to 100,000 tonnes.

Much of the final discussions revolved around redundancy arrangements, although neither of the potential purchasers has announced firm plans for redundancies.

High level of demand for M&S credit card

MARKS & SPENCER, Britain's biggest retailer, has had "an unprecedented success" with customers demand for its new credit card.

Over 270,000 applications have been received so far. The company said last night that this was double the number of applications it had expected when it launched details of the card last month.

The credit card will be valid in all the company's 264 UK stores from early next month. It has had a successful six-month trial in Scotland.

Marks & Spencer serves some 14m customers each week and expects to have between 2m and 3m cardholders by 1990, which would make it the third largest credit card company in the UK after Access and Visa.

Due to the heavy demand for the card, Marks & Spencer has recruited an extra 100 staff to process applications. Staff are already operating a seven-day, two shift system to clear the backlog. Applications already processed number 150,000.

The success of the scheme is likely to encourage Marks & Spencer to press ahead with the development of wide-ranging financial services for its customers.

☐ THE BANK of England is urged today to take action to revive Britain's corporate bond market, which has been largely dormant as a source of company finance for more than a decade.

City of London broker W. Greenwell says in its latest monetary bulletin the Bank should encourage companies to raise cash through the issue of medium-dated bonds and should structure its issues in the gilt-edged market accordingly.

In recent years the authorities have held back from issuing gilts with very long maturities in the hope that this would leave a gap for companies to issue bonds.

Because of high real interest rates companies have been reluctant to take on long-term fixed interest debt and have relied instead on short-term bank finance. That in turn has led to difficulties for the Bank in controlling the money supply.

☐ PRIVATISATION of British Airways (BA) is expected to go ahead within the next financial year, but no date has yet been set, the Government said.

Mr Michael Spicer, the Transport Under Secretary, told MPs there had been some slippage because of the anti-trust case involving Laker Airways brought against BA in the U.S.

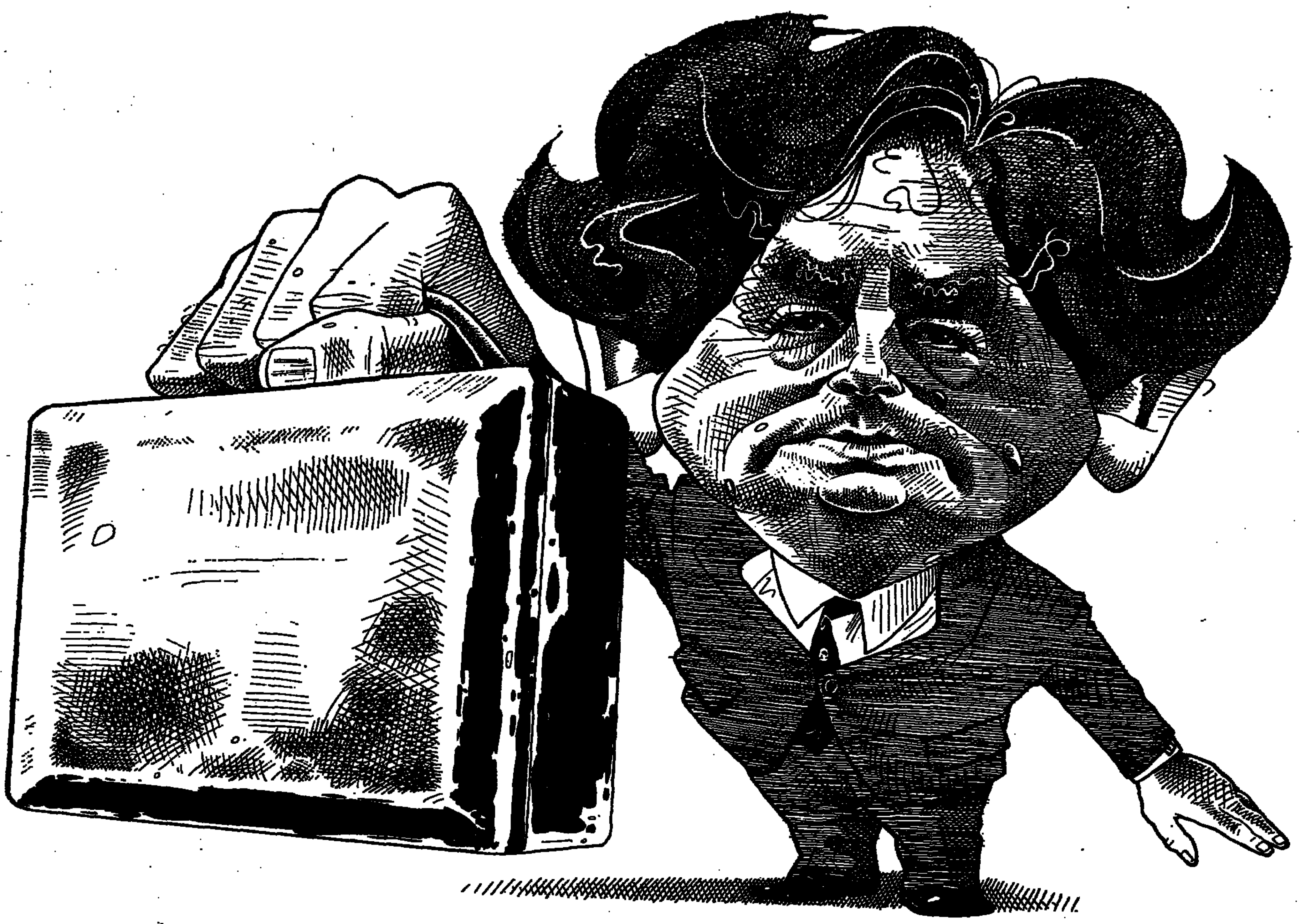
The Government would proceed with privatisation as quickly as possible, once this was out of the way, he said.

☐ A GOVERNMENT decision is imminent on which aircraft will be chosen as the RAF's new basic trainer – either the British Aerospace/Pilatus PC-9 or the Short Brothers/Embraer Tucano.

Reports circulating in Westminster appear to favour the Tucano. The RAF requires about 150 aircraft over the next few years, worth about £200m, to replace its ageing Jet Provosts.

☐ BANKS have launched a training video directed at the retail trade as part of their campaign to combat cheque card fraud. Last year bank losses through fraud rose by 24 per cent to £25.77m. This compares with an 8 per cent increase in 1983 and a fraud loss of £1.6m eight years ago.

Joe Cummings



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UK NEWS

Oil sector aids strong rise in industrial output

BY PHILIP STEPHENS

BRITAIN's industrial output rose strongly in January, boosted by record North Sea oil production, but manufacturing industry registered a small decline.

The Central Statistical Office (CSO) said yesterday that total industrial production rose by 1.3 per cent over the month, while manufacturing output fell by 0.4 per cent.

CSO officials said that the surge in North Sea oil liftings and much higher electricity production during the cold weather in January was the main explanation for the higher overall output.

Over the three months to January, industrial output was about 1.5 per cent higher than in the previous three months, and roughly unchanged from the corresponding period a year earlier.

The figures remain depressed, however, by the miners' dispute, with the loss of coal output estimated to have reduced the overall level of output by about 3.5 per cent over the last six months.

The fall in manufacturing output was blamed on the bad weather at the beginning of the year which hit, in particular, the building materials industry.

There are also signs, however, of an underlying slowdown in the pace of growth in manufacturing output. Over the last three months it has been growing by an annual 2 per cent compared with a 4 per cent growth rate between the first and third quarters of last year.

The latest four months figures for manufacturing also include what the CSO terms "a bias correction," which has the effect of boosting the recorded figure by about 0.5 per cent in each of the months from October to December, and by 1 per cent in January.

Government statisticians say the correction merely takes account of the large upward revisions necessary on the manufacturing figures over the last two years. It should be removed for all but the latest months once full quarterly data becomes available.

The decision to introduce the adjustment, however, has been strongly attacked by the Labour Party, whose economists have accused the Conservative Government of "fiddling" the figures to paint an over-optimistic picture of the latest trends in output.

Had the correction not been applied over the latest period, January would have shown a 0.9 per cent drop in manufacturing output. For particular sectors the CSO's figures show the strongest growth over the last three months in the food, drink and tobacco industries and to a lesser extent in chemicals.

Transport advisers sought

BY ROBIN PAULEY

THE TRANSPORT Department is trawling in the City of London for advisers to help it with the proposed privatisation and deregulation of bus services outside London.

The Government is seeking powers to deregulate bus services and bring competition to bus routes outside London through its controversial Transport Bill now before Parliament. One result will be to transfer all the operations of the National Bus Company (NBC) to the private sector.

Mr Nicholas Ridley, Transport Secretary, is looking for merchant bank and other financial advisers to help him form a view on the NBC board's proposals for the preparation of local bus companies to compete fairly with each other and with other operators.

He also wants advice on the board's programme for the transfer of NBC operations to the private sector, on what net value should be secured for the sales and on how to give employees the opportunity to gain control of the operations for which they work.

Railways 'must meet coal strike losses'

By Kevin Brown

THE GOVERNMENT will not make good British Rail's (BR) £240m loss in freight revenue during the miners' strike, Mr David Mitchell, the junior Transport Minister, told the House of Commons yesterday.

He told MPs that it was for BR to devise ways of recouping the loss and achieving its financial targets for the freight business. "BR has not approached us for any financial recompence and we would not expect it to," he said.

Mr Mitchell said BR was running a commercial freight business and could not expect the taxpayer to foot the bill. He pointed out that £80m of the loss was caused by sympathy action in support of the miners by the rail unions.

"This can do nothing but damage to their own industry, the jobs which depend on it, and the future of freight carrying by rail," he said.

He added: "The consequences will be felt by those within that business. They have damaged themselves, and there is nothing the taxpayer can or should do to bail them out of the responsibility that results from their own actions.

Mr Mitchell said the Government would consider "carefully" any request from BR for an increase in its borrowing limit to cover the shortfall in revenue.

Later, in reply to questions on the strike, Sir Michael Havers, Attorney General, told MPs that 7,917 people had been charged with offences connected with the strike.

Sir Michael was asked by Mr John Ryman (Labour) to assist coal industry appeal hearings for miners sacked on conviction by supplying a short precis of the facts of the case.

Sir Michael replied: "I will certainly arrange for that to be considered. I would hope that the magistrates' clerks would have kept a sufficient note."

Government accused of blocking EEC acid rain measures

BY ANDREW GOWERS

THE GOVERNMENT was accused yesterday by a group of leading European environmentalists of blocking all EEC progress in the fight against air pollution.

The delegation, led by Herr Ernst Klatte, secretary-general of the European Environmental Bureau, met senior officials of the Department of the Environment, including Dr Martin Holdgate, its chief scientific adviser, to express their concern at the British position in the Community debate on measures to combat acid rain.

In a message to Mr William Waldegrave, the junior Environment Minister, they said that the Government had in effect conceded the seriousness of the acid rain problem but was refusing to do anything about it. This was blocking all action by the Community.

"These points oblige us to construe the British Government's attitude in the worst possible light as a refusal, in the face of overwhelming evidence, to act in the common European interest on a matter of urgent international concern," the message said.

Acid rain is the term commonly used for sulphurous and other air pollution from burning of fossil fuels and from car exhausts, which is widely believed to cause a range of problems including the death of trees in West German forests and the acidification of Scandinavian lakes.

The British Government's official position is that there is not enough evidence to warrant such expensive steps as cleaning power station emissions. It is also opposed to EEC proposals for strict vehicle emission standards which would require the fitting of catalytic converters to cars.

A Dutch member of the environmentalist delegation warned that British obduracy could eventually result in a boycott of UK cars in Europe. He commented: "British ministers have no sense at all of the strength of public feeling in Europe on this issue."

In a separate move yesterday, the European environmental and consumer lobby groups sent a telegram to EEC environment ministers calling on them to adopt an urgent plan to reduce car pollution. The ministers meet tomorrow for another attempt to agree on vehicle emission standards.

The telegram urged that all new cars sold in the EEC should respect U.S. emission standards by 1990 and that the Community should make introduction of lead-free petrol obligatory from 1988.

Thorn plans centre for cable transmissions

BY RAYMOND SNODDY

THORN EMI is considering setting up a multi-million pound production and transmission centre for its cable television programmes. A feasibility study is to be carried out and a decision is likely later this year.

The aim would be to bring together in a purpose-built production centre somewhere in London the three channels of cable programmes that Thorn is producing with its partners.

These are Music Box, the pop music channel, Premiere, the film channel, and the children's channel. At present these are served by two studios in different buildings. If the plan is accepted, a joint venture with other non-competing cable programme makers will be set up on a cost-sharing basis.

Estimated savings of a custom-built production centre are put at up to £1m a year.

New cable networks have developed at a very slow pace in the UK, although Music Box, in particular, is increasingly successful in Europe.

Minister urges closer European co-operation over electronics

BY DAVID MARSH IN PARIS

EUROPEAN countries would have to learn to collaborate together in electronics or else face the threat of being "extinguished" by competition from the U.S and Japan, Mr Geoffrey Pattie, the UK Information Technology Minister, said yesterday.

Mr Pattie, who was attending a meeting in Paris with British and French electronics company executives, coupled his invitation for closer co-operation with a warning that concrete areas would have to be found where companies could work together.

Sinclair Research, the Cambridge domestic computer company which has been making a big effort to market its products in France, is for instance facing extreme difficulties in its bid for acceptance in the French Government's new schools computer programme.

Although Mr Pattie said he would not be bringing up the Sinclair case in meetings with French ministers, he added that participation by Sinclair in the schools project would represent "the kind of co-operation that we would like to see happen."

Mr Pattie called on the French to come up with ideas for opening some of their own information technology research to British participation. This would ease the way for France to take part in British schemes such as the Alvey advanced . computer research programme.

He admitted that British Telecom's recent decision not to buy French telephone exchanges in its foreign buying programme meant that "an opportunity was missed" for closer links.

Pointing out that Britain's telecommunications deregulation took away the Government's power to "dictate" to British Telecom – a point not always understood by the Paris authorities – Mr Pattie said he hoped French disappointment could be overcome and "we can get on to the next stage."

Mr Pattie said that among subjects for industrial links put forward by France, he was looking "constructively" at possible co-operation over videotex and banking payments systems.

Interferon 'helps one in six'

By David Fishlock, Science Editor

MORE THAN 2,000 cancer patients have been treated with interferon made by the new biotechnology methods. About one in six have responded favourably.

A senior cancer researcher in Britain concludes that, although interferon is not the miracle drug that was claimed in 1981, it will have a useful role in medicine. But she warns that patients have suffered a multitude of side-effects ranging from the mild to the bizarre including eyebrows that grew so fast they had to be trimmed twice a week.

Dr Frances Balkwill, who runs the interferon laboratory of the Imperial Cancer Research Fund in London, says the interferons available are the first of a newly discovered series of drugs called biological response modifiers.

They exist naturally in the body as part of its defences against infectious agents and perhaps also against cancer cells. By administering such agents as drugs, doctors are boosting the body's own defence mechanism.

Dr Balkwill says the odds have been stacked against interferon in clinical trials on cancer patients so far.

Doctors have been allowed to treat only patients with advanced cancer, whereas laboratory experiments suggest that interferon works best with the early and localised disease.

In cancer, a positive response to therapy is defined as anything from a 50 per cent shrinkage of the tumour to its disappearance. But a 50 per cent reduction may not affect the patient or his survival, so fewer than one in six of those treated have actually been helped by interferon.

Some kinds of cancer show a big response – one being a rare form called hairy-cell leukaemia, which disappeared in 80 per cent of those treated. Solid tumours have not responded well.

Side-effects severely limit the dose which can be given and range from flu-like symptoms to confusion and even hallucinations and coma at high doses.

Wall's cuts sausage fat to 'restore confidence'

BY ANDREW GOWERS

THE WALL'S meat company, Britain's leading sausage manufacturer, is to cut the fat content of its main products by 20 per cent in what it describes as a bid to restore public confidence in sausages.

The move entails raising the lean meat content of leading Wall's pork and beef recipe sausages – accounting for 65 per cent of the company's fresh sausage sales – to offset the reduction in fat. It will not lead to a price rise.

Total sales of sausages in Britain have fallen by 2 per cent in the past year after widespread suggestions that people should reduce their overall consumption of fats. The high intake of fat in the British diet was singled out in a government sponsored report last year as a major cause of the country's abnormally high mortality rate from heart disease.

Mr Ian Melrose, Wall's marketing and sales director, commented: "If shoppers are looking to reduce the amount of fat they eat, and our research indicates this is so, there is now a Wall's sausage to match all tastes and pockets."

Wall's, which is part of Unilever and sells 52m packs of sausages annually, last year became the first meat company to launch a low-fat sausage. It is now adding two less expensive products to its range, a speciality product containing herbs and spices and only 15 per cent fat and a freezer sausage with only 13 per cent fat.

One of Wall's leading rivals, Bowyers, said yesterday that the company's move was probably a response to its own launch of a relatively inexpensive low-fat sausage last month.

"We've recognised that there's a genuine move to low-fat eating," the company said.

In a separate move, Wall's is joining the growing list of food manufacturers and retailers who are giving nutritional details about their products – inlcuding protein, carbohydrate, fat and energy – on the label.

The Government announced last week that it would require manufacturers to detail fat and saturated fat content on food labels. It would set a standard format for nutritional labelling.

EUROPEAN CAR MARKET

Ford hopes Scorpio technology will be 'ace up its sleeve'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

Ford's new top-of-the-range car, to be launched in May

FORD OF Europe has been waiting with increasing impatience for its new top-of-the-range car—to be launched in May and called Scorpio in every market but Britain, where the Granada name is retained.

The model will compete in that high-price bracket which gives manufacturers and dealers much more room to make a profit. Scorpio should enable Ford and its suppliers to make a reasonable return on the $380m they have invested in capital equipment for the newcomer.

Ford is counting on Scorpio to help reverse the steep downward trend in its profits. Ford of Europe's net earnings topped $1bn a year at the end of the 1970s. But by 1983 profit was down to $281m and last year, squeezed still further by the intensely competitive conditions in European car and truck markets, it dropped to only $147m.

The new, aerodynamic Scorpio / Granada is extremely important for Ford for several other reasons:

It gives the company a serious contender in the upper region of the West German car market for the first time in seven years and will provide fresh impetus for the attempts Ford is making to improve its image among customers there.

It will protect Ford's position in Britain, its second major "domestic" market in Europe. Its UK market leadership has been steadily eroded in the past three years by General Motors, the Vauxhall-Opel group.

The Scorpio-Granada should give Ford some extra volume and enable the company to retain the leadership of the West European car market which it captured for the first time last year, when it was just a whisker ahead of Fiat of Italy.

And it will provide Ford of Europe with a second model to export to the U.S. for the new Merkur dealer network set up by its parent to sell in the "luxury imports" sector there.

The new car, like the old Granada, will be an almost completely German vehicle. (Output of the Granada in the UK ended in 1976). Of the Scorpio/Granada's major components, only the transmissions will be sourced from outside Germany—they will come from Ford's plant in Bordeaux, France. The new car will be built at the Cologne plant.

The old Granada was launched in 1971, "facelifted" in 1977 and again in 1981. In the early 1970s large cars accounted for 19 per cent of total sales in Western Europe. Today they take 14 per cent, but that still adds up to about 1.2m cars a year.

After the revamp and updating of the model, Granada reached its best volume in 1978 with 210,000 registrations, which gave it a 2.1 per cent share of the West European market. By 1983 volume had fallen to 70,700 and Granada's share to 0.7 per cent.

If Ford could push the Scorpio/Granada back to 2 per cent of the European market, output would climb to about 200,000 a year. Gordon MacKenzie, Ford of Europe vice-president, sales, however, is giving nothing away about sales expectations. "We want to do better than we did with the old Granada," he says.

To achieve even 200,000, Ford must recapture customers in West Germany. In 1978, some 113,900 Granadas were registered in Germany but too many of them "blew up" on the Autobahns and gave the model a bad reputation. Sales in 1979 halved and then halved again the following year.

By 1983 the volume was down to only 24,100 and Ford was selling as many Granadas in Britain which has a large-car segment only half the size of Germany's. In 1984 West German sales sunk to 21,000.

Mr MacKenzie has no illusions about the task ahead. Ford is up against formidable "domestic" competition at the top end of the German market: Mercedes, BMW and Audi as well as GM-Opel's offerings.

But he believes Ford has an ace up its sleeve in a country which he says "is hooked on technology."

All versions of Scorpio/Granada will have as standard equipment fully electronic anti-lock brakes (ABS) which permit the driver to maintain full steering ability under the heaviest braking. The stopping distance achieved with anti-lock brakes can be up to 40 per cent shorter than with locked wheels and loss of steering controls.

Other manufacturers, such as Mercedes and BMW, offer ABS as a high-priced, optional extra and use a system developed by Robert Bosch of West Germany.

Ford claims its ABS system is "second generation" and less-expensive. It was developed by Alfred Teves, the West German subsidiary of ITT of the U.S.

Although Ford cannot wait to ditch the Granada name and image on the Continent, it has learned from experience and will keep the Granada nomenclature for Britain.

It may be implied that Ford now realises it lost much ground by dropping the Cortina name in the UK when its best-selling model in Britain went out of production to be replaced by the Sierra.

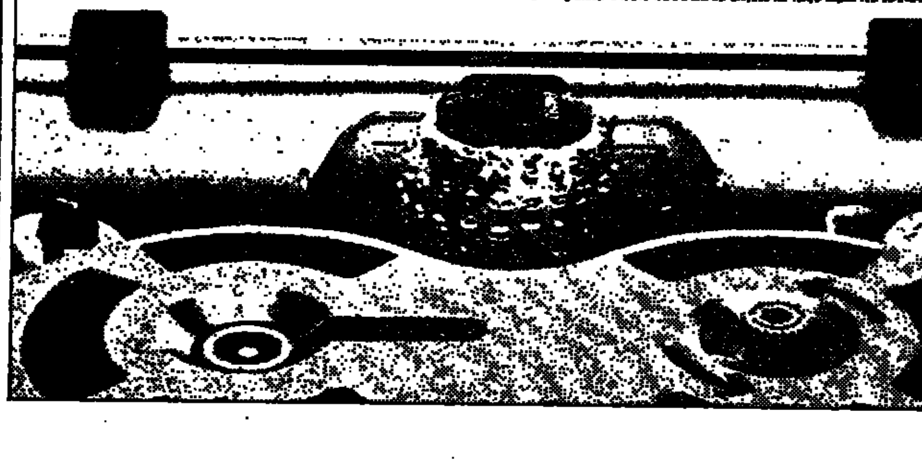
Ford hopes to sell 30,000 new Granada's in the UK in a full year, which looks modest when compared with the peak of 52,100 in 1979 but represents a considerable recovery from the 24,100 in 1983 and 23,215 last year.

Prices will be fixed nearer the date when the cars will take to the roads—May 17, but Bill Camplisson, Ford of Britain's marketing director, insists that, in spite of having anti-lock as standard, the new Granada must still be priced to cope with competitors. These include the Vauxhall Carlton GL (which has a list price of £8,877) at the lower end of the range and the Rover SD1 saloons (£8,495 to £15,775) in the middle and top of the large car sector.

The policy will be similar on the Continent. Scorpio faces strong challenges from the new Renault 25 in France and the Lancia Thema in Italy as well as Scandinavian models

Scorpio Granada is a five-door, hatchback with a choice of four engines froma 1.8-litre, four-cylinder (a "tax break" unit for Britain) to a fuel-injected 2.8-litre V6. Two engines employ Ford's EEC IV, which the company claims is the world's most powerful on-board computer. There is a choice of five-speed manual gearbox, as a paid-for option, Ford's four-speed automatic with a lock-up facility.

The new car will go on sale in all the 15 European countries where Ford has sales companies on May 17—and all versions will be available immediately. The company will have 10,500 cars ready for the launch, says Mr MacKenzie.



NOTICE OF REDEMPTION

To the Holders of

International Bank for Reconstruction and Development

16% U.S. Dollar Notes of 1981, Due May 6, 1988

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal and Paying Agency Agreement dated as of August 25, 1981 providing for the above Notes, said Notes aggregating $20,000,000 principal amount have been selected for redemption on May 6, 1985 at the redemption price of 100% of the principal amount thereof, together with accrued interest to said date, as follows:

Outstanding Notes of $5,000 each of prefix "V" bearing the distinctive numbers ending in any of the following two digits:

06 08 09 13 17 18 19 20 28 36 39 41 50 57 59 61 68 72 73 75 84 89 95 97 98

Also Notes of $5,000 each of prefix "V" bearing the following serial numbers:

6 8 9

Payment will be made upon presentation and surrender of the above Notes with coupons due May 6, 1986 and subsequent coupons attached at the main offices of any of the following: Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, New York 10015; Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main, London and Paris; Caisse d'Epargne de l'Etat in Luxembourg and Swiss Bank Corporation in Basle. Payments at the office of any paying agent outside of the United States will be made by check drawn on, or transfer to a United States dollar account with, a bank in the borough of Manhattan, City and State of New York. Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8, certifying under penalties of perjury that the payee is not a United States person or an executed IRS Form W-9 certifying under penalties of perjury that the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on Internal Revenue Service Form W-9 and who fail to do so may also be subject to a penalty of $50. Please therefore provide the appropriate certification when presenting your securities for payment.

Coupons due May 6, 1985 should be detached and collected in the usual manner.

On and after May 6, 1985 interest shall cease to accrue on the Notes selected for redemption.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated: March 19, 1985

APPOINTMENTS

Midland Bank adviser

Lord Selsdon has been appointed group adviser, public finance at MIDLAND BANK INTERNATIONAL. He was group adviser, EEC affairs and he will retain responsibility for this area. Lord Selsdon is a member of the British Overseas Trade Board, chairman of COMET (the Committee for Middle East Trade), a member of the House of Lords select committee on overseas trade and a member of the Confederation of British Industry overseas committee. He is also chairman of British Wastewater and of the London Docklands' Arena Trust.

★

Mr Anthony E. Langford has been appointed managing director of JOHN SMEDLEY, Matlock. He succeeds Mr Charles Scott, who is retiring.

★

Mr A. B. Haywood has been appointed a director of CENTURY POWER AND LIGHT, an oil exploration and production company in which Imperial Continental Gas Association holds the controlling interest (58.82 per cent). Mr Haywood remains exploration manager of Century Power and Light, a post he has held since 1982.

★

At LINKLATERS & PAINES Mr A. L. Morris, Mrs E. A. Bennett, Mr J. S. Kilner, Mr D. A. Barnes, Mr S. M. Turnbull, Mr S. R. R. Edlmann, Mr C. J. D. Style, Mr G. R. Brister and Mr M. J. H. Elliott will be joining the partnership on April 29.

★

The WILLIAM STEWARD GROUP has appointed Mr Graham Fisher as regional director for the North of England branches, where he has been regional manager since 1982.

★

Mr John Hart becomes managing director of ODHAMS-SUN PRINTERS on April 1, and will join the board of BPCC. He was managing director of The Messenger Press.

★

Mr Leslie H. McArt has been appointed managing director of SUTRA TRADING (BUNKERING). The newly-formed company is a subsidiary of Sutra Trading, Lausanne and will specialise in the supply of bunkers at Italian mainland and island ports.

★

Mr Henry Nelson has joined the PEGLER-HATTERSLEY GROUP as managing director of the PH Industrial division. He was previously managing director of valve manufacturer Hopkinson.

★

The board of R. J. TEMPLE & CO (HOLDINGS) has been constituted as follows: Mr Martin Glaser, chairman, Mr Richard Temple, managing director, Mr David Avery, director, and Mr Michael Hawkins, director and secretary. Mr Glaser was until last year chief executive of Electra Professional Investment Management and is a former director of Ionian Bank. Mr Temple is the chairman and managing director of R. J. Temple & Co (Taxation and Investment Consultants), of which Mr Avery is also a director and Mr Hawkins is the accountant and company secretary. R. J. Temple & Co (Holdings) has acquired the entire issued share capital of R. J. Temple & Co (Taxation and Investment Consultants).

★

Mr Maurice Roach has been appointed chief engineer of FURNESS WITHY (TERMINALS), the company responsible for the provision of management services for the C. Y. Tung Group's world-wide container terminal operations. Mr Roach was engineering director of Walton Container Terminal, Felixstowe, a position he will retain.

★

The NEW ZEALAND REINSURANCE COMPANY has appointed Mr D. K. L. White as general manager.

★

Mr Nick Scotland has been appointed managing director of JOTUN-HENRY CLARK, a member of the Jotun Group. He was managing director of Jotun Singapore. The outgoing managing director, Mr Bill Coles will remain a board member of Jotun-Henry Clark and its subsidiaries.

★

Mr Paul Massey has been appointed managing director of SIBSON/J &H, a new member of the Johnson & Higgens group. Mr Massey is a fellow of the Institute of Personnel Management and a member of its national committee on organisation and manpower planning. He is also chairman of the Personnel Strategy Society.

★

CITICORP has appointed Mr Neil Mills to the advisory board or Citicorp Insurance Group Inc. He will be based in London, and will assist in Citicorp's global insurance activities. Mr Mills retired as chairman of Sedgewick Group last year.

★

Mr Clive Swan, commercial director, has been appointed managing director of POLYGRAM RECORD OPERATIONS (UK).

★

Mr Richard Turton, senior insolvency partner of Spicer and Pegler, has been appointed president of INSOL INTERNATIONAL, the international association of insolvency specialists. He is the first UK member to hold the office.

★

Mr Kutsunori Kato has been appointed managing director of TEC EUROPE. He was senior manager of the Asian, Oceanic and Middle East division.

UK LIFT TRUCK INDUSTRY

More than a hint of optimism

By Richard Tomkins

ANYONE wishing to learn the art of survival could do worse than take a look at Britain's fork lift truck industry. After five years of being hammered by the recession and thrashed by Japanese competition, it not only remains intact as one of the world's leading centres of production; it is also looking to the future with more than a hint of optimism.

"The market has slowly but steadily recovered from a very deep recession," says Mr John Allenby, joint managing director of Lansing, the biggest lift truck maker. "There's a long way to go but the signs for 1985 are encouraging."

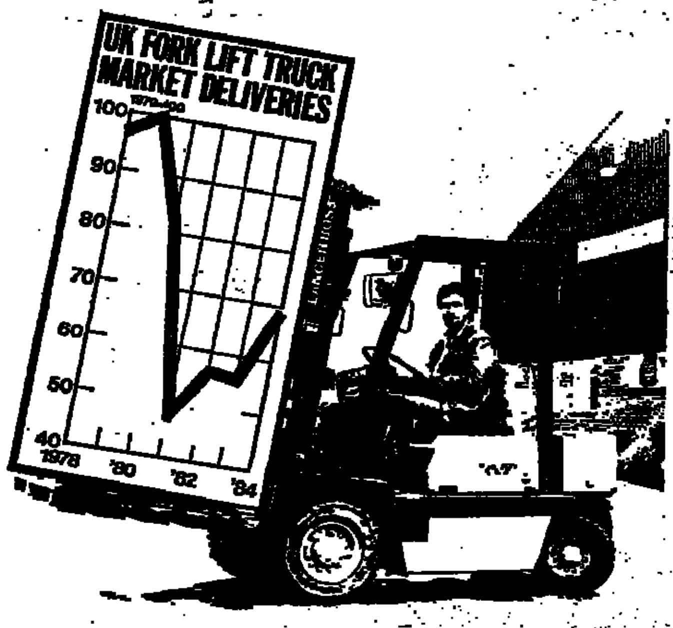
Or in the words of Mr Bryan Sharpe, managing director of Coventry Climax: "There's a self-assurance among those of us who have survived the past few years that after what we've had thrown at us, we can meet any other challenge the future may hold."

On the face of it there are two factors responsible for this mild case of euphoria in an industry which once stood in danger of joining others on Britain's sizeable engineering scrap heap. One is a belated recovery in its domestic market, and the other is evidence that the competitive edge of its Japanese rivals is becoming blunt.

The domestic market recovery has been a long time coming. Lift truck makers might reasonably have expected a revival in demand to follow hard on the heels of the end of the recession. In fact, things didn't turn out quite that way: from the depths of the downturn in 1981, when lift truck sales in the UK plummeted to 48 per cent of their 1979 peak of about 14,000, the following two years saw only a slight recovery to 55 per cent.

Manufacturers blame the delay in recovery on the widespread mothballing of lift trucks during the recession and a tendency among users to prolong the life of old machines rather than invest in new ones. In the past year, however, the pent-up demand appears to have been released, and sales have risen by 15 percentage points to 70 per cent of their 1979 level.

On Japanese imports, the question is one of price. Thanks to the strength of sterling against the yen, British makers of lift trucks are emerging from a period during which they have been fighting Japanese competition with one hand tied behind their backs. A gradual shift in the exchange rate has helped loosen the bonds of Japanese supremacy in the last few months. Some dealers have found their profit margins on Japanese lift trucks squeezed so tightly by rising prices that they have pulled out of importing them altogether.



The recession and Japanese competition has forced some deep rooted changes

The combined effect of the recession and Japanese competition has forced some deep rooted changes in the industry.

The recession brought changes in the nature as well as the size of demand. Lift truck users, desperately strapped for cash, began to take a shorter-term view of their needs: if they had to buy a lift truck at all they would look for the cheapest one available to do the job. The Japanese makers wooed these bargain hunters by flooding the high-volume end of the market with cheap, no-frills, but reliable lift trucks.

By 1981 the Japanese share of the UK market had risen from virtually nil in the mid 1970s to 17 per cent, and the British makers' pips were squeaking loud. Political pressure brought to bear during Mrs Margaret Thatcher's visit to Tokyo in 1982 resulted in the Japanese agreeing not to increase further their UK market share.

A shake-out in the industry has long been regarded as necessary and inevitable—but remarkably it has not taken place. There have been swingeing job cuts and attempts to raise productivity, but rationalisations have been few and far between. Consequently overcapacity is endemic—most estimates put it at about 40 per cent world-wide—and remains the biggest problem facing the industry today. It has become a buyer's market.

At the quality end the British makers believe they are well placed to score over the Japanese competition—thanks largely to the depreciation of sterling against the yen. They say that customers have been taking a longer-term view of their lift truck needs since the recovery began and are prepared to make a bigger outlay if it will save them money in the long run. The British makers say this puts them at an advantage—they claim their lift trucks are technologically more advanced and offer cheaper operating costs, greater reliability and longer life.

They nevertheless realise that there is still a large market for the high-volume, basic lift truck in which they find it difficult to compete. Several companies have taken steps to overcome the problem by linking up with foreign suppliers who can produce these lift trucks more cheaply.

Among the indigenous British makers, Lansing, the biggest, has long been supplementing its range from its factory in West Germany; Lancer Boss, the next biggest, takes part-finished lift trucks from Komatsu of Japan and has filled other gaps in its range through the takeover of Steinbock of West Germany, and Coventry Climax has links with NYK of Japan.

Of the three U.S.-owned lift truck makers operating in the UK, Caterpillar imports from Daiwoo of South Korea and Kaldnes of Norway, and Yale Materials Handling gets some of its supplies from a joint manufacturing venture with Sumitomo of Japan. Hyster has no such links: it is a volume producer in its own right and its highly-automated Northern Ireland plant produces the UK's best-selling export lift truck. However, the engine for this is Japanese.

Overseas markets remain important to British lift truck makers: between 40 and 50 per cent of UK production is for export. The strength of the dollar has opened up new opportunities in the U.S. but manufacturers say the pound is still too high against European currencies for them to be able to make much headway in the largely stagnant Continental markets. Meanwhile, some once highly lucrative markets such as Saudi Arabia, Nigeria and South Africa have virtually closed.

The British makers are thus looking mainly to the dometic market for their salvation. They are encouraged to see the Japanese makers' market share edging downwards: to 15 per cent in 1982, to 14 per cent in 1983 and to 13 per cent last year.

They are still a long way from screaming victory from the roof-tops, and there may be rationalisation to come. But there is enough vigour about for industry leaders to assert confidently that they are not ing to follow Britain's motorcycle business into oblivion.

FINANCIAL TIMES SURVEY

Tuesday March 19 1985

EUROPEAN BUSINESS CENTRES

The city hopes to preserve its role as the world's largest port through modernisation and automation while fostering a new elan in the community at large

Rotterdam: the powerhouse of the Dutch economy

Rotterdam

By Laura Raun
Netherlands Correspondent

ROTTERDAM has prospered as a port for seven centuries, beginning in 1299 as a crude fishing village near a dam on the small Rotte River and growing into the largest harbour in the world.

Its location in the estuary of the Rhine River has been a natural advantage of profound importance, making Rotterdam a gateway to the vast hinterland of the European continent. Equally significant has been the Rotterdamers' traditional enterprising spirit, which has propelled the port through floods, depression and war.

This steady and laborious success has meant difficult choices have had to be made, however. Rotterdam has long struggled between the overwhelming commercial interests of its maritime merchants and the social interests of the community at large. The desire to remain the world's leading port and yet cultivate a thriving and attractive city still poses problems for Rotterdam today.

The second largest city in the Netherlands, Rotterdam is so closely aligned with its world-renowned harbour that for many, only the port is of consequence. Given the sheer size of the port that is perhaps not surprising. Endless harbour basins, wharves and quays stretch 35 kilometres from the old city centre to the new Maasvlakte jetty dredged up from the North Sea.

For two decades the port has handled more cargo than any of its competitors and trade still exceeds that of the second-largest port, Kobe in Japan, by one and a half times. Some 243m tonnes of goods passed through Rotterdam last year, up by nearly 5 per cent from 1983 as the economic recovery accelerated.

Slower growth

Almost one-quarter of all seaborne goods entering and leaving Europe pass through the Netherlands, with Rotterdam accounting for most of that.

Growth has slowed significantly in recent years after the exuberant expansion after the war. Worldwide recession, plunging oil demand and changing trade flows cut into Rotterdam's cargo, with 1984 showing the first rebound in four years. The number of jobs in the harbour has plummeted to 10,300 from twice that five years ago.

This slump has renewed concern at City Hall over Rotterdam's inevitable dependence on port activities. It is estimated that about half of Rotterdam's business community relies on the port, and an even greater percentage of all industries in the Rhine-mouth region, the Rijnmond.

The municipality of Rotterdam owns the port infrastructure—harbours and docks—and leases it on a long-term basis to the stevedoring companies who build their own cranes and warehouses. The municipal port authority improves facilities in consultation with the private companies.

Bram Peper, Rotterdam's dynamic mayor, hopes to foster fresh commercial initiatives through an ambitious marketing plan aimed at attracting new concerns while stimulating the most promising of existing sectors. A main objective is to offset severe job losses in heavy industry with growth in the service sector and selected activities ancillary to the port.

Areas targeted for the city's promotional efforts include trade, distribution, service and research concerns as well as petrochemicals, engineering, container manufacture and offshore operations. Rotterdam already leads in container-cargo handling and petroleum-refining capacity worldwide, while a recent influx of foreign banks has joined the insurance industry that sprang up around shipping.

Many of these industries are tied together under the latest buzzword in Rotterdam circles—Holland as a distribution centre. Rotterdam historically has been a transit port, with 60 per cent of its cargo destined for abroad, and half the remaining 40 per cent re-exported after processing.

Natural link

The Rhine River, Europe's busiest waterway, provides a natural link to much of the continent and a market of 280m people.

Now the Dutch, aided by their centuries-long tradition of trading, intend to broaden the classical port functions into a high-technology matrix of distribution, merchandising and transportation. From The Hague to Rotterdam, enthusiastic government and industrial leaders are merging forces to carry out their plans, not unlike Japan's powerful Ministry of International Trade and Industry (MITI).

Through efforts such as Rotterdam's new World Trade Center, they hope to draw the kind of commercial and transport concerns that will compete with the burgeoning traffic in the Pacific basin.

Cargo streams are shifting in favour of the Pacific Ocean, where more containers now ply the waters than in the Atlantic, due to the rapidly expanding economics in the Orient and western U.S. Competition in Europe is no less for Rotterdam.

To counter these trends, the Dutch port is investing hundreds of millions of guilders. Major projects at the moment include a Fl 300m modernisation of the general-cargo sector, installation of a Fl 300m computerised traffic-control system and plans for a huge telecommunications network that eventually would cost Fl 2bn.

The network is envisaged as a computer linkup between stevedoring companies, customs agents, banks and ultimately ports around the world to allow electronic monitoring of shipping documents, cargo streams and inventory supplies.

Mr Peter M. Swantee, chairman of the Rotterdam Port Industries Association, says: "Our number one priority is information development." He and other leading businessmen believe that data and communication flows will be as important as cargo traffic in preserving Rotterdam's pre-eminent role.

While the port community races to stay ahead of the competition, however, City Hall is grappling with economic and social upheavals that have changed the face of Rotterdam. Only about 558,000 people now live in Rotterdam compared with 730,000 two decades ago.

Like many old port cities in the rest of Europe and the U.S., Rotterdam has suffered sharp losses in population, gained in foreign workers and seen traditional industries die.

The shipbuilding industry lost 18,000 jobs, a significant portion of the workforce, with the 16-year decline and collapse of the Rijn-Schelde-Verolme group. The metal-working industry, so dependent on shipbuilding, now has shrunk to 9.6 per cent of the Rijnmond's industrial base from 12 per cent six years earlier.

More crime

Unemployment, housing problems and crime have escalated as many young, middle- and upper-class families moved to the suburbs along with healthy businesses. Foreigners, many of whom were recruited to toil in the shipyards now account for more than 14 per cent of Rotterdam's population while one-in-five workers is without a job. Half of the city's residents live on the minimum income allowed by law.

Massive urban renewal was carried out in the 1970s, with housing getting the highest priority. This policy was a reversal of the wholesale commercial development that followed the virtual flattening of Rotterdam's core in World War II.

Both the city and the harbour were rebuilt with the same determination that fuelled the reconstruction of neighbouring villages after the 1421 St Elizabeth's Day floods and the 1864 cutting of a canal to the North Sea, today's harbour mouth.

The beginning of the 1980s saw another reversal, however. Urban planning is now geared to securing a comfortable mix between residential and commercial interests, with fresh emphasis on attracting businesses back to the city centre.

Environmental pollution, resulting from the Rijnmond's concentration of heavy industry, remains a controversial issue. During two decades of concerted development after the war, little thought was given to hazardous wastes, effluent and noise.

In the 1960s protests began against Rotterdam's free-wheeling attitude toward industrial pollution and as a result, most expansion in the old city-centre basins has halted.

Power house

Awareness is growing that Rotterdam must build on its industrial strength, the powerhouse of the Dutch economy. The greater Rijnmond region generates around 10 per cent of the Netherlands' gross national product, including 20 per cent of Dutch exports, with some 9 per cent of the total workforce. The money made in Rotterdam is spent in Amsterdam, goes the saying.

Mayor Peper, a pragmatic sociologist, has noted that reprocessing products are a way of utilising Rotterdam's expertise while reaping the financial rewards of value-added products. Two years ago he sketched a role for Rotterdam that is even more meaningful today. "Processing, administration and marketing not only bring in revenue, they also provide employment. Rotterdam has a vast store of know-how, both industrial and commercial, and I think we should start looking in this direction."

Rotterdam 2

About 35 kilometres of harbour basins, docks and quays are owned by the city

The world's leading port stays vigilant

The Port
LAURA RAUN

ROTTERDAM HAS had the biggest and busiest port in the world for so long that it would be easy to become complacent. Since 1962 this Dutch harbour has ranked number one and it still handles one and a half times as much cargo as the second-largest port, Japan's Kobe.

This success has not bred indolence, however, but rather a vigilant effort to ensure that Rotterdam remains the world's leading port. The burger elite who, historically, have steered Rotterdam's course are all too aware that new trade flows and high technology can rob them of the natural advantages bestowed by geography.

As explained by Mr Peter M. Swantee, chairman of the Rotterdam Port Industries Association: "You're always looking over your shoulder to see what the competition is doing."

Nature indeed has blessed Rotterdam with an ideal location for transport and trade. Situated at the mouth of the Rhine and Maas rivers, it is the nexus between the North Sea/English Channel — the busiest seaway in the world —and the continent's most commercial river.

From the city centre to the North Sea stretch some 35 kilometres of harbour basins, docks and quays that are owned by the municipality of Rotterdam and leased on a long-term basis to the stevedoring companies.

Of all seaborne goods entering and leaving Europe, a sizeable 24 per cent pass through Dutch hands and Rotterdam accounts for all but a fraction of that. This ancient Dutch harbour handles more West German imports than any of the German ports and accounts for around 45 per cent of all cargo passing through the Hamburg to Le Havre crescent of ports.

Nevertheless, size is no guarantee against the ravages of the global economy and Rotterdam has suffered humiliating losses in cargo handled over recent years. From a record high 301m tonnes in 1979, cargo slumped for four straight years to the level of 1970 before rebounding, only half of the port's 20,000 jobs five years ago are left.

Particularly sharp has been the plunge in crude oil traffic as worldwide demand has plummeted on intensified energy conservation and substitution. The recession in West Germany's Ruhr valley, an industrial area heavily dependent on Rotterdam for raw materials, sharply curtailed iron ore and steel in the early 1980s.

When the economic recovery finally took hold last year, cargo rose for the first time since 1979. Total goods edged up nearly 5 per cent to 243m tonnes, largely boosted by oil, ores, coal and containers. Mr Bram Peper, Rotterdam's literate but pragmatic mayor, hailed the figures as a "visible and encouraging recovery" in the port.

Petroleum cargo

He attributed the 5 per cent growth in petroleum cargo to greater activity in Rotterdam's oil refineries, which together have the largest capacity in the world, and the closure of plants elsewhere in Europe. West Germany's healthier steel industry helped lift iron ore traffic by 27 per cent while the rapidly growing container sector posted another gain of 9.7 per cent.

Beneath the rosy figures, however, lie troubling trends that are the reason for Rotterdam's careful eye to the future.

The port was disrupted by three bouts of union action last year, an unusual flare-up in a harbour known for its comparatively peaceful labour climate. Threatened layoffs in the slumping grain sector, changes in the medical insurance system and wage demands prompted the strikes.

The Port Industries Association, which acts as an employers' organisation, was so dismayed by the actions that it deleted wording in promotional brochures that described Rotterdam as the most reliable port in the world.

Rotterdamers admit that oil cargo will never bounce back to the heady levels seen in the 1970s and last year's decline in grains and derivatives is expected to continue. Major changes will be needed to adapt the port to the escalating use of containers, automisation and computerisation — areas where Rotterdam faces increased competition from the Belgian and West German ports.

Antwerp, Rotterdam's most direct competitor, saw its cargo climb more than three times as fast as the Dutch port's traffic last year, with a BFr 500m expansion and modernisation plan still to come.

Even some Rotterdamers concede that Antwerp's dock workers have a reputation for working harder and faster than their Dutch counterparts due to a bonus pay scheme that rewards efficiency. The Belgian port's tariffs are also lower than those in Rotterdam, which has the highest fees in North-West Europe.

Pacific basin

Bremen and Hamburg are conceded to be ahead of Rotterdam in their efforts to computerise the large amounts of documents associated with shipping and trade. Moreover, West Germany intends to increase the percentage of its imports and exports moving through these northern ports, according to two Delft professors who conducted an exhaustive study for the Rotterdam port.

This study, known as Strategy and Automisation for the Rhinemouth, is a guiding force for the major reorganisation now being carried out.

The Delft professors noted that worldwide cargo stream are shifting toward the Pacific basin with its rapidly growing economies such as South Korea and Taiwan and away from the Atlantic ocean with its stagnant European markets. If Rotterdam is to preserve its pre-eminent role in this changing trade flow, it must take strong steps, their report said.

The three main priorities are a complete restructuring of the general cargo sector, bringing costs under control through more automisation and fashioning a huge telecommunications system knitting together computers not only in Rotterdam but worldwide.

Cargo companies tentatively have agreed to a ruthless plan under which their number would be nearly halved to 13 from the present 24 over the next five years. The goal of the long-debated proposal is to foster the surging container traffic while slimming down the classical cargo sector, which is declining and overmanned.

Rotterdam, which already has the largest container-cargo operations in the world, expects tonnage in this sector to account for half of the total by 1990.

The consolidation in the general cargo sector is to be achieved through mergers, acquisitions and joint ventures. The general aim is to move container-cargo operations westward into the newer harbour basins, leaving the older quays with more space for the classical cargo companies.

It is hoped that greater efficiencies will result from more modern facilities for the container companies and from the concentration in one spot of individual companies' operations now scattered around the harbour.

The municipal port authority intends to invest about Fl 300m in coming years to gear the infrastructure to the new configuration with the private companies putting up a "multiple of that" according to Mr Swantee. The unions are bargaining to recoup the job losses in the general cargo area in other sectors of the port.

Another priority is to keep costs for both the port and the companies as low as possible now that the harbour's meteoric post-war growth is over. Because of Rotterdam's comparatively high port tariffs, it can hardly raise them more than the annual 4 per cent rises in the past two years. Stevedoring companies are looking increasingly to automation as a way of shrinking labour costs, which include relatively high wages.

Perhaps the most important priority, however, is a vast link-up of harbour companies' computers with each other, with customs agents, banks and ultimately other ports. This data network could eventually provide information on freight flows moving across the oceans, stocks available in Western Europe and expected raw-material needs of the continent. Moreover, electronic bookkeeping would sharply reduce the mountains of paperwork—which can be as many as 60 forms for one item—involved in seaborn traffic.

The association of port industries and the municipality of Rotterdam recently agreed to found a mixed company called International Transport Information Systems (INTIS) for the purpose of carrying out the multibillion-guilder task of computerisation. An initial investment of Fl 3m could burgeon to as much as Fl 60m by the end of this year.

Documentation

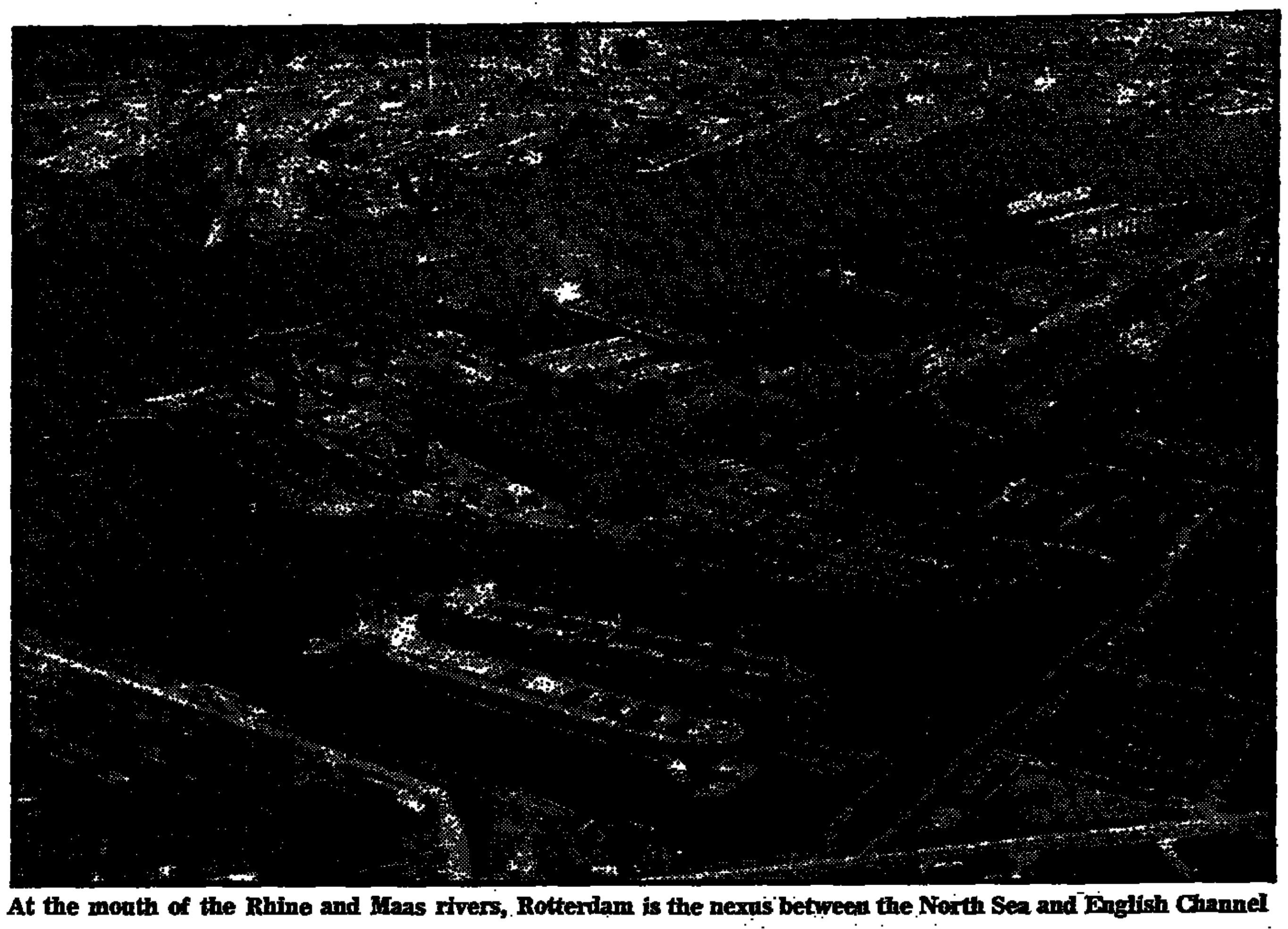
A major difficulty is ensuring that companies' proprietary information remains secret and yet enabling the electronic tracing of a calculator from the port of Houston to a customs shed in Rotterdam. Furthermore, the astounding array of bank-credit documentation must be standardised so that data can be sent from one computer to another.

A pilot scheme is planned for next year in which one or two stevedoring companies in Rotterdam will test the link-up, according to Mr Swantee. "We want to be the trend-setter," he says confidently.

The future looks promising enough for Rotterdam. Cargo is expected to rise another 4-5 per cent this year, aided by Rotterdam's increasing role as a main port of call from which feeder lines connect with smaller harbours.

Exxon and Royal Dutch/Shell are investing a total of Fl 5bn in upgrading their refining capacity. A fresh bout of labour strikes recently was threatened but employers seem unperturbed.

"We will still be able to stay number one in the next millenia," Mr Swantee concluded. "It will be impossible to overtake us. Then other may take it over."



At the mouth of the Rhine and Maas rivers, Rotterdam is the nexus between the North Sea and English Channel

EEC surpluses threaten imports

Grains and animal feeds
CHARLES BATCHELOR

ROTTERDAM, the gateway to Europe for many of the world's grains and animal feed products, is having to adapt to a new threat to its predominance. The challenge comes not from rival ports around the European coastline but from the sharp upsurge of the EEC's grain harvest.

Shipments through Rotterdam plunged by an estimated 10 to 20 per cent in 1984 after a 10 per cent drop the year before. European community farm policies made the EEC self-sufficient in grains in the late 1970s and have now gone on to create large surpluses within the Community. This has reduced demand for imported grains, oil seeds and animal feed products.

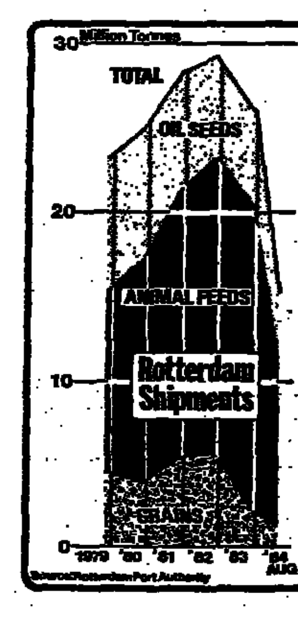
This has also brought pressure on the Rotterdam grain futures market on which shippers and traders balance their surpluses and shortages or take up speculative positions up to 12 months ahead of delivery.

The prices set in Rotterdam represent the world price for the European working day until the U.S. markets in Chicago and New York begin trading.

Fall in imports

"There was an abrupt fall in imports last year," said Mr Pieter van de Vorm, managing director of Graan Elevator Mij (GEM), Rotterdam's largest grain-handling company. "Everyone knew it was coming but no-one thought it would come so quickly. The most important cause was the EEC's grain surpluses. We see the surpluses getting bigger."

Mr Aat Braakenburg, president of Pell Nederland, a large grain trader, shipper and importer, is equally gloomy. "The future of Rotterdam as a grain port will depend on Common Market policy. If the EEC gives further subsidies and forces more domestic cereals into animal feed then Rotterdam will decline further in importance." Despite the setback, Rotterdam still holds a commanding position in the league of European grain ports.



In 1982, the most recent year for which detailed comparisons have been made, Rotterdam accounted for 60 per cent of all animal feedstuffs shipped through European ports—from Hamburg in the north-east to Marseilles in the south. It had a more modest 17 per cent in grain shipments, trailing behind Hamburg and Antwerp, but led again in oilseeds, oils and fats, where it had a 50 per cent share.

GEM shipped 15.2m tonnes of grains and other feedstuffs last year compared with 19.5m tonnes in 1983. Statistics collected by the Port of Rotterdam, which GEM says involve an element of double-counting, indicate a decline of just over 10 per cent last year, similar to the decrease recorded in 1983.

For a port such as Rotterdam there is little prospect of replacing lost imports with exports. The Netherlands small land area and the concentration of its farmers on livestock production means it produces only 1 per cent of the EEC grain harvest.

It is the Dutch animal feed compounding industry — the largest in the EEC with annual production of more than 15m tonnes—which sucks in the imported grains and derivatives. Rotterdam also tranships large volumes of these products from ocean-going vessels to barges destined for Germany, Belgium and France and into coasters for the UK market.

Rotterdam owes its predominance in the European feedstuffs trade to its prime geographical position at the mouth of the Rhine and to good transport links with the rest of Europe. The port authorities and the main transshipment companies have invested large sums in deep-water harbours, storage capacity and modern handling equipment.

GEM completed its most recent Fl 60m (£14.6m) investment programme in 1983 when it increased capacity at its Europoort terminal from 12m to 15m tonnes a year.

A trend to shipping grain in smaller vessels has menat however that Rotterdam can no longer always benefit from its large-scale facilities. Shippers can now use a number of smaller Eurpean ports to discharge their cargoes.

The Royal Dutch Grain and Feed Trade Association is making a number of improvements in the support services it provides for its members. It plans to open a Fl5m laboratory for testing the quality of shipment samples on the site of GEM's Europoort terminal to cut down the time needed for sample analysis.

It has also asked the UK Grain and Feed Trade Association (Gafta) to accept the Rotterdam laboratory as a recognised "first analysis institute" for the purpose of Gafta contracts to avoid the need to ship samples to London.

The shift towards EEC grains and mergers among animal feed compounders has also had an impact on activity on Rotterdam's grain futures market.

Rotterdam, nevertheless, remains an important centre for the trade now carried on by telephone and telex rather than on the trading floor of the former Stock Exchange building.

The participants are some 30 shippers and brokers and several hundred buyers — compounders, flour millers and rates in a relatively unregulated Europe. All the world's major grain trading houses have offices in Rotterdam.

The Rotterdam market operates in a relatively unregulated climate. It is not subject to the formal supervision of any one authority and lacks a central clearing house to verify deals. Nor are traders required to make margin payments to back up a deal. The market nevertheless operates efficiently on the basis of trust between professionals, says Mr Braakenburg.

A switch

Individual deals are, however, based on contracts drawn up by national trade associations such as Gafta, the Dutch grain association or their counterparts in Germany and France. Each has its own standard contract and arbitration procedure in case of a dispute.

The European grain trade has seen a switch over the past 15 years from expensive grains to cheaper substitutes such as tapioca, citrus pulp and potato slices. Now the industry worries that EEC policies will attempt to limit imports of these products to encourage the growing of local alternatives.

Thailand, a major tapioca producer, is already limited to 4.5m tonnes of exports to the EEC a year compared with a peak annual shipment of 8m tonnes.

In the background lurks the U.S. farm bill proposals aimed at cutting production costs of U.S. grains and re-establishing the U.S. share of the world market.

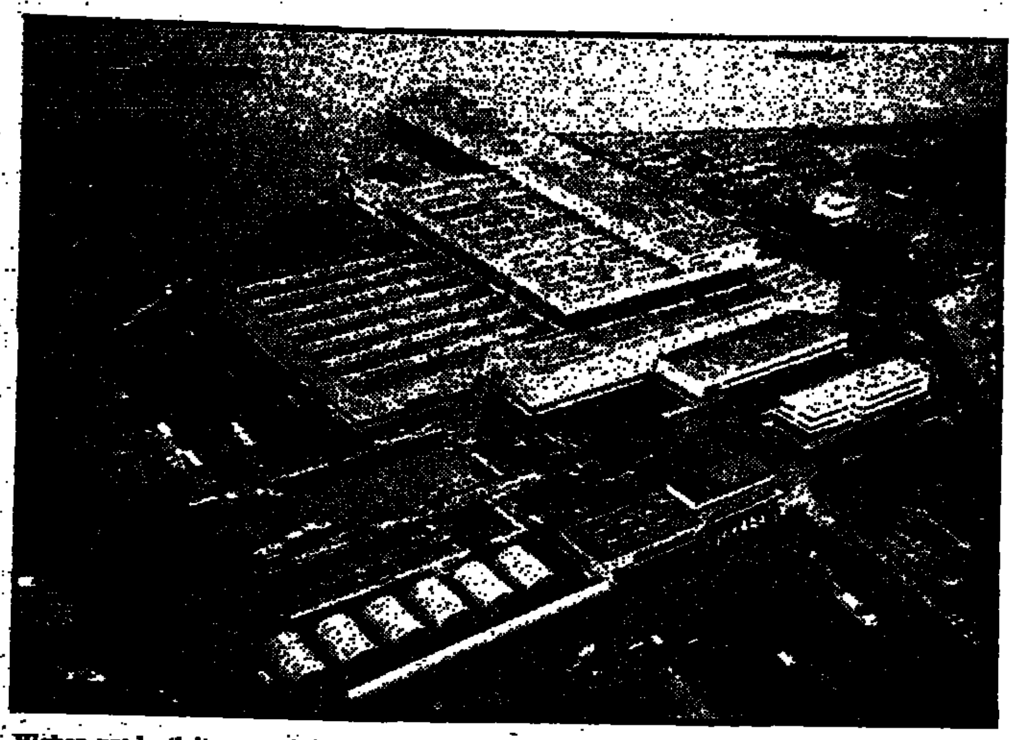
This might be expected to increase the attractiveness of US. grains and boost imports through Rotterdam. But traders and shippers in the port fear cheaper U.S. grains will reduce world grain prices, push up the cost to the EEC of subsidising its grain exports and mean that even greater pressure would be brought to use EEC-grown animal feed compounds.

Rotterdam 3

New covered slipways allows year-round working

Survival through specialisation

Shipbuilding
CHARLES BATCHELOR


Higher productivity expected by the use of th e new covered slipway of the IHC Shipyard at Slied recht

IT CAN'T get worse and it might get better, could be taken as a fair summing up of the mood in the boardrooms of Rotterdam's surviving shipbuilding and repair companies.

"Unless a programme for scrapping older ships is introduced it will be two years at least before there is any recovery," says Mr Joop Gipbels, sales director of Van der Giessen-de Noord. "But it will come and those yards which have invested will survive."

"It would be too much to say we are optimistic but we think we can survive," Mr Bas Sluis, chairman of Wilton-Fijenoord said. "But I don't see the Netherlands ever building larger-sized merchant ships again."

As if the well publicised problems of the European shipbuilding industr were not enough the Dutch shipmakers were shaken in early 1983 by the collapse of the country's largest yard, the Rotterdam-based Rijn-Schelde-Verolme (RSV). The dozens of individual yards which made up RSV have spent most of the past two years extricating themselves from the wreckage.

After supporting RSV for more than a decade with aid amounting to Fl 2.7bn (£660m) the Dutch Government finally decided enough was enough. A subsequent inquiry blamed both poor management and ineffective government policies for the debacle.

4,000 jobs lost

The collapse of RSV cost an estimated 4,000 shipbuilding jobs in the Rotterdam area but it remains the main centre for the industry in the Netherlands. Together with petrochemicals and the port, shipbuilding is one of the three main pillars of Rotterdam's economy.

The Dutch Government is still considering how best to continue its support for the industry with the help of a study carried out by McKinsey, the U.S. management consultants, which was completed in November.

The stud concluded that there was no prospect of a revival of shipbuilding demand during the 1980s and anything but generous government aid would result in further job losses.

Figures for the Netherlands Association of Shipbuilders showed that in 1983 Dutch yards achieved a turnover of Fl 4.9bn and contributed 1.8 per cent of total industrial turnover.

Dutch shipyards launched vessels of 192,300 gross tonnage in 1983 or 1.3 per cent of the total world tonnage. Shipyardds employed 30,000 people or 3.6 per cent of the total Dutch industrial workforce in that year. Prompted by the shipbuilding malaise and helped by government support the Dutch yards have made great efforts to improve their competitive position.

The Netherlands climbed to second position in the productivity table of world shipbuilders during the period 1975-82 after the world leader, Japan, according to a study by the Netherlands Economic Institute.

A look at three yards in the Rotterdam area provides an insight into how the Dutch are responding to the problems the face.

● Wilton-Fijenoord is a survivor — just — of the RSV collapse. The yard, which employs 1,700 people on repair and naval shipbuilding, spent nearly 18 months under court protection from its creditors.

Last July an offer from the municipality of Schiedam, where Wilton is based, to buy and lease back Wilton's 90-hectare site for Fl 42m allowed the yard to put its finances in order.

Wilton is now owned by an independent trust and ploughs its profits back into the business. Wilton was a profitable part of RSV, says Mr Sluis, the chairman. It absorbed none of the government funds which were poured into the parent company.

The company is the Netherlands' largest remaining shiprepairer. tI expects to make "several million guilders profit" a year on forecast turnover of Fl 350m in 1985 and 1986. The marine shipbuilding side is profitable at the pre-tax level though the repair side has a positive cash flow.

Wilton is building two submarines for Taiwan but pressure from China prevented it taking up a second Taiwanese order for four more submarines worth Fl 2bn. Work on the first two submarines will finish in 1987, by which time Wilton hopes to have booked other foreign orders.

It sees little prospect of winning Dutch naval business since two other former RSV yards, Royal De Schelde and Rotterdam Drydock Company, are now both government-owned and will have first choice of defence business.

Dredging vessels

● IHC-Holland, based at Papendrecht, 15 miles south east of Rotterdam, is the world's largest builder of dredging vessels, and claims a 50 per cent share of the total market.

The company made losses in the late 1970s but returned to profit in 1982 and achieved a small improvement to Fl 11.6m before tax on turnover of Fl487m in 1983.

IHC acknowledges that continued government aid is essential to guarantee the company's future. Mr Kees Brouwer, from IHC's marketing department, sees good prospects in the developing countries, for which IHC is designing standardised and simpler dredgers, which could be built locally. The company exports 75 per cent of its production.

IHC has cut back costs and shed 1,000 employees in recent years to get down to its present workforce of 2,500, but the company attributes its relative success to its strong research effort, on which it employs 70 people. A recent innovation was a combined dredger oil spillage collection vessel.

● Van der Giessen, a publicly-quoted company on the Amsterdam Bourse, builds both specialised merchant vessels up to 80,000 dwt and naval ships. It is working on a 40,000 dwt tanker and roll-on roll-off ferry. After that its merchant order book is empty but it is negotiating a contract to build a second Ro-Ro ferry for North Sea Ferries, a sister ship to one to be built by Govan of Glasgow.

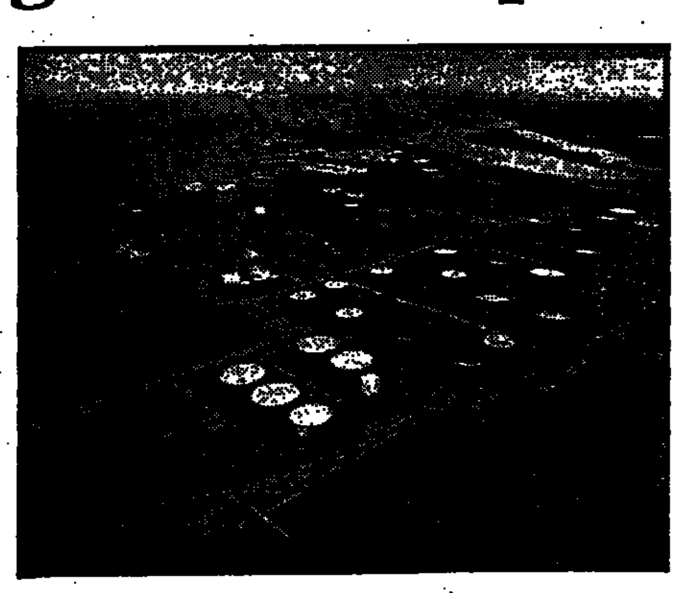
Giessen's marine yard is engaged in a series of 15 polyester-hulled mine hunters for the Dutch navy which will keep it busy until 1988. Giessen has made small profits in the past five years. In 1983 net profit was Fl 1.5m on turnover of Fl 470m. None of these years has seen a dividend payment however.

The company has concentrated on winning domestic orders because while it says its costs are comparable with even Japan it is unable to offer the same favourable financing terms as other European yards. The Dutch government holds strictly to guidelines by the Organisation for Economic Co-operation and Development (OECD) on financing terms.

These three — and other Dutch yards—have sought their future in specialisation and in ambitious investment programmes to modernise their facilities. Both Giessen and IHC have recently opened new covered slipways, allowing year-round working. Despite these efforts there is still no sign of an upturn in demand. Rotterdam can aonly hope that the drastic slimming of its shipbuilding industry has come to an end.

Rapid growth of spot market

Oil trading
LAURA RAUN


Rotterdam can harndle the largest tankers at its Europoort terminal which is Europe's principal import and distribution centre of raw materials.

THE WORLD-WIDE spot market for crude oil and petroleum products has grown rapidly in the past decade and along with it Rotterdam has emerged as perhaps the leading price-setter in this diffuse trading network.

Some argue that Rotterdam spot prices for crude oil actually have usurped the trend-setting role of the Organisation of Exporting Countries (Opec) now that its benchmark price has dissolved. Many believe that contract prices for both crude and refined products are influenced increasingly by spot, or non-contract, prices—which is like the tail wagging the dog.

The spot market began as a way of balancing the supply and demand gaps left by the contract market, accounting for only about 5 per cent of the worldwide crude trade and even less of the northwest European products market in the early seventies. Today, however, the spot market accounts for as much as half of all crude oil traded (excluding the Soviet Union) and about 45 per cent of the petroleum products consumed in northwest Europe.

The Rotterdam market actually is not limited to this Dutch city at all but is used as a convenient way of describing a vast network of traders and brokers ranging from London to Stockholm to Rome. Amid jangling telephones and clacking telex machines they deal in multi-million-dollar cargoes and barges on behalf of major oil companies, international trading concerns and local distributors.

The northwest European market is often referred to as the A-R-A, which stands for the Amsterdam-Rotterdam-Antwerp strip of cities noted for their refineries, ports and merchants. Rotterdam, however, dominates with the largest refining capacity in the world, the biggest port in the world and the mouth of the Rhine River through which much of the European hinterland is accessible.

The huge refining capacity left Rotterdam with far more gasoil, fuel oil, motor gasoline and naphtha than the Netherlands could consume so trading naturally sprang up. The first oil crisis of 1973-74 gave rise to heady days in which anyone with a telex, telephone and enough bank credit would set up shop in Rotterdam.

Second crisis

As many as 100 companies were trading in the Rotterdam spot market during the 1970s, according to Mr Jan Oskam, head of the Dutch organisation for coal and oil traders, an industry group.

The second oil crisis ensued, the oil markets grew more competitive and banks started watching their lending more closely. Today perhaps 60 concerns are left, Mr Oskam estimates.

Only five or six companies actually deal in the risky global market that sende $40m oil cargoes from Brazil to Sweden on the basis of a phone call. Another nine or ten deal in both the internationad and local markets while about 45 others operate exclusively on the domestic level, where they satisfy the needs of end-users.

Mr Oskam estimates that about 55 per cent of the Rotterdam market is controlled by the internationals, who deal in both the ocean-going cargoes, which range up to 200,000 tons, as well as the Rhine river barges, which run between 2,500 and 5,000 tons.

The smaller trading houses tend to concentrate on the barge market, which provides West Germany and Switzerland with much of their oil, gasoil, gasoline and other products.

Like currency traders, oil traders work in a tense often hectic environment heavily dependent on personal relationship and the trust of a voice on the other end of a telephone.

Competition is fierce and the business is gruelling but oil traders, like foreign exchange dealers, are compensated for their efforts. Salaries of $150,000, plus and year-end bonuses are not uncommon for the international traders while travel and entertainment can be lavish.

The volume of the market is especially difficult to gauge because of the numerous times a single cargo can change hands in so-called paper trading chains. This happens, for example, when a cargo of gasoil changes hands maybe 20 times before the last purchaser actually takes delivery. Traders often buy back the same cargo they once sold.

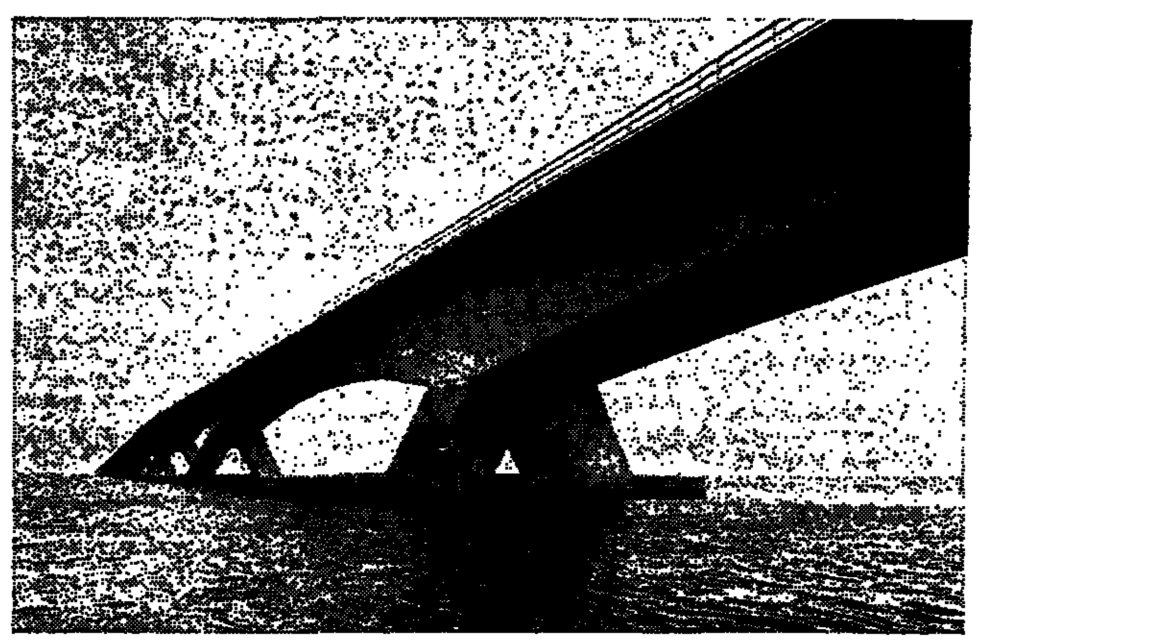
It has been estimated, however, that at least 22m barrels of crude a year is traded on the world spot market, of which the A-R-A accounts for a substantial amount (but this figure excludes the Soviet Union, which is a major crude producer). The spot product market in northwest Europe may amount to around 200m tons, according to one expert.

The success of the spot market, however, has been a two-edged sword. The purpose of spot trading was to offset the imbalances in the overall oil and products markets and in so doing it has created more stability. But stability is the bane of a trader.

Market participants note that in the past, seasonal patterns dictated that gasoil prices generally rose in the winter during peak demand for heating and eased during the summer. Conversely, motor gasoline would firm in the summer during the vacation-driving season and fall during the winter.

These cycles now are less discernible and the volatility needed to generate trading profits thus has waned somewhat. Moreover, the capital requirements for trading are so high and the oil markets so uncertain that Mr Oskam predicts a further 30 per cent shrinkage in the Rotterdam market over the next five years.

In contrast with many, however, Mr Oskam vehemently argues that the spot market has no influence on contract prices and only responds to the fixed-term market. He asserts that by definition the spot crude price always will be $1-2 lower than the contract price in a weak market and $5-6 higher in a strong market.



PROFILE: DR. BRAM PEPER

Bringing a new heart to the city

WITH A DOCTORATE in the sociology of economies and policy-making, Dr Bram Peper seems theoretically suited to being Rotterdam's mayor. As a typically Dutch pragmatist, he is also prepared to adjust his theories in order to apply them in practice.

Having been a policy adviser on the Government's key social economic council and a prominent member of the Dutch Labour Party board for ten years, Dr Peper's theories encompass economics, labour relations, social policy trends, the welfare state, and politics.

Even non-Western sociology joined the list when he spent three years advising the Government on development aid projects in Surinam.

His keen social awareness leads him to believe that "economists are generally involved in computing and calculating with little idea of how society functions—although it is in this society that their policies must work." Dr Peper's track record since the Queen appointed him mayor in 1982 suggests that his policies do work in society.

Discreet intervention

Among other things, Rotterdam's city council now takes decisions faster, more efficiently, and within a broader policy framework. Although officially "poltically neutral," the mayor views discreet intervention in disputes between employers and employees as part of his responsibility.

During last year's strike by port stevedores, this took the form of his persuading the Minister of Social Affairs, Mr de Koning, to make a financial offer, which eventually settles a dispute.

His efforts to diversify the city's traditional one-sided economy, meanwhile, encourages infrastructure and high technology developments in fields other than just shopping and cargo-handling.

This is being done in collaboration with Rotterdam's Erasmus University, at which Dr Peper was a Social Science research assistant for five years before becoming professor of Political Science in 1971.

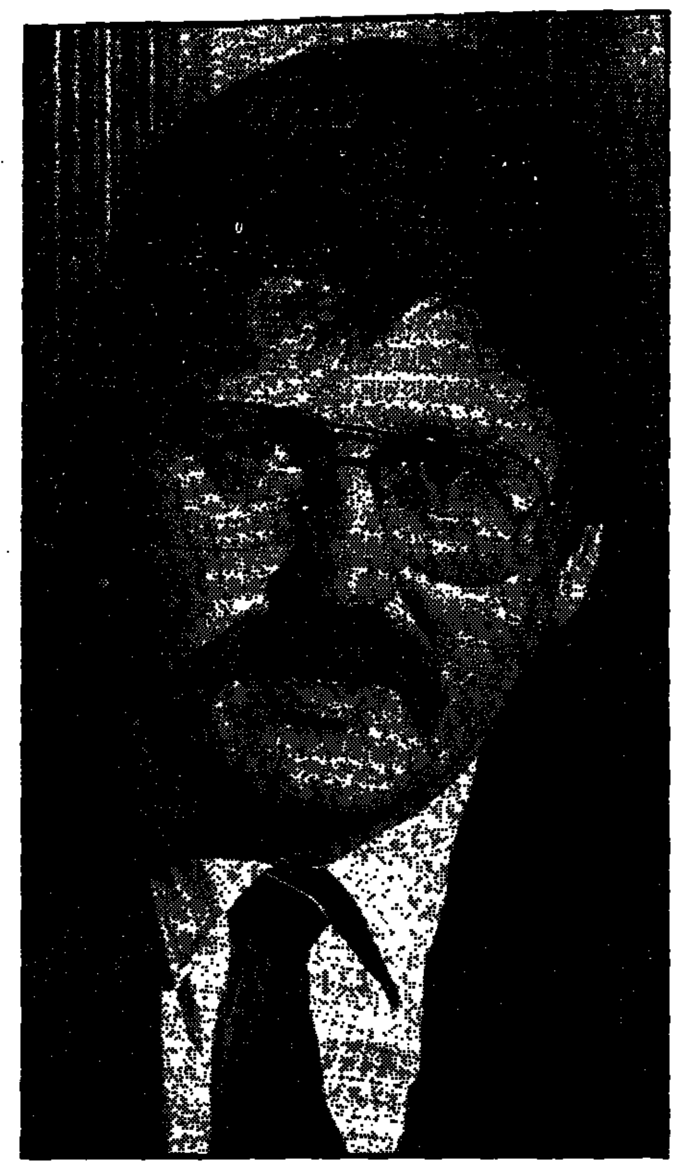
The university is reknowned for its research expertise in fields as diverse as petrochemicals, food processing, marine engineering, electronics, bio-technology and medicine.

New image

Dr Peper also has his hands full transforming the traditional lacklustre image of Rotterdam being commercial, but neither cosy nor cultural. This year's "Have a heart for Rotterdam" campaign, for example, aims at attracting foreign tourists and trade delegations by introducing permanent facilities for music, culture and night-life in the city centre.

The self-satisfaction of the 1970s, when Rotterdam considered itself big enough to be little concerned with small clients, is also changing. Spurred by fierce competition from West German and Belgian ports, he says: "There is a definite return of that fighting spirit for which Rotterdamers were once famous."

Over Fl 1bn has been spent by the city council on port development in the past five years, with Fl 150m on the world's most modern container terminal. "Designed for the 1990s and beyond," he says it should compensate for Rotterdam's lag behind the conventional cargo-handling capacity of Antwerp, which employs more incentive-oriented labour schemes.



Dr Bram Peper, Mayor of Rotterdam: favours discreet intervention in disputes

To minimise the position Rotterdam has held for over two decades as the world's largest port, Dr Peper is also spearheading an aggressive port-promotion campaign.

Although keen on promotion, however, the rather reserved Dr Peper dislikes some of the job's formalities and lack of privacy.

"I cannot even take my dog for a walk without attracting attention, though I am anonymous on Sundays, when playing competition football for a local team," he says.

His other dislike is the lack of opportunity to write critical in-depth economic and sociological analyses. Writing occasionally for an economic weekly, he feels, produces "rather superficial, sterile articles because I cannot quarrel with people whose policies I do not like."

In fact, disenchantment with the writing skills of his assistants at one time led the mayor to pen his own speeches.

With his background in academic research and ghost-writing for party leaders, Dr Peper used to feel most at home behind the scenes. Now up front, however, keeping contact with both the local and international communities appeals to him sufficiently to complete a 12-year term of office.

"The city is also big enough to be an intellectual challenge," he says, looking forward to the day "when Rotterdam will be considered a city with a port and not the other way around."

Peter Spinks

PROFILE: ROBECO

A global outlook pays off

LODGED IN a nondescript office building surrounded by one of Rotterdam's ubiquitous housing projects is the largest stable of investment funds under single management outside the U.S.—the Robeco group of trusts.

Robeco's modest headquarters, from which it oversees £4.44bn spread around the world, typify the Calvinistic prudence with which this company runs its business. Costs are kept under tight control, marketing is modest and the emphasis is on preserving Robeco's good—although somewhat stodgy—reputation.

The four separate funds under the Robeco umbrella are a unique hybrid between a unit trust and a limited liability company. They operate as a co-operative in which shareholders are effectively the owners while the funds are quoted on 19 stock exchanges.

Robeco, which stands for the Rotterdam investors consortium, traces its conservative roots back to the group of 20 elite burgers — shipowners, bankers and businessmen—who pooled their money in 1929. The financial crash of 1929 was not the most opportune time for an investment club to begin and the story goes that members lost everything they had put in.

Costs slimmed

But the club continued and today it still reflects the penny-pinching ways long associated with the Dutch. Only a slim 0.3 per cent of the funds go into operating costs compared with 0.5 per cent for many mutual funds and 1 per cent for discretionary accounts.

The overhead costs include salaries for 235 employees (including 50 portfolio managers) and marketing, which relies more heavily on old-fashioned word-of-mouth recommendations than on the glossy, razzle-dazzle approach often used by U.S. mutual funds.

Only two small information offices in Brussels and Geneva are maintained in addition to the Rotterdam headquarters. Moreover, Robeco does not pay the hefty 43 per cent Dutch corporate income tax because it is viewed as a non-profit co-operative acting on behalf of investors.

The four trusts are:

- Robeco, the original fund incorporated in 1933, which is an equity trust aiming for substantial dividend income as well as reasonable capital gains.
- Rolinco, established in 1965, which also is an equity trust but aims for higher capital gains.
- Rorento, formed in 1974, which is a fixed-interest trust directed toward interest income plus capital gains on both bonds and currencies.
- Rodamco, started in 1979, which is a real estate trust.

The net asset value of the funds, as calculated daily, determines the share price rather than supply and demand of outstanding shares. Each day the company provides a quotation, based on the net asset value per share, at which it will sell new shares and buy back old shares. Robeco views this system as a way of fostering confidence among investors.

Until last year no minimum investment was required but now at least Fl 1,000 of shares initially must be purchased. Robeco estimates that between 60 per cent and 70 per cent of its shares are in Dutch hands although the bearer form prevents exact figures.

Most of those are thought to be wealthier individuals and institutional investors plus a number of middle-income people.

French investors account for a good portion of the remaining 30-40 per cent with Robeco having been quoted on the Paris Bourse since 1959, the first foreign stock exchange to list the Dutch shares.

Elsewhere, however, Robeco has problems. West Germany allows only a listing on the stock exchanges but no promotion while the U.S. outlaws the company entirely because it is a hybrid between an open-ended and closed-fund. Shareholdings in Japan are sparse while Belgium completely forbids sales.

Competition from banks' in-house investment funds has accelerated in recent years and Robeco's lack of commissions for stockbrokers has provided no extra incentive for sales. Thus Robeco and Rolinco shrank significantly in the late 70s and early 80s before rebounding in 1983. While Robeco maintains lean operations, however, it lards supervisory boards with notables from around the world.

They include the Earl of Cromer, who is a former Bank of England Governor, former West German President Walter Scheel and former World Bank president Robert S. McNamara.

Risks spread

This cosmopolitan cast of board members mirrors the company's global outlook, which is geared to spreading risk geographically, Mr Nicolaas W. Veer, a managing director specialising in currencies, explains that portfolio managers consider two separate factors when deciding where to place funds: the currency and the financial instrument itself.

The first question usually is in which currency and how large a position to take followed by what instruments to invest in, according to Mr Veer. Thus whether to buy Sony is an independent decision from whether to go into the Japanese yen.

"We are not stock pickers," Mr Veer concedes. "The question for us is whether we should be in the U.S., Europe or the Far East."

Portfolio managers lean heavily toward fundamental macroeconomic analysis topped off with technical charts, viewing the following year for equity consideration and the following three-to-six months for currency possibilities. The objective for currencies generally is to reduce risks through hedging with between 40 per cent and 50 per cent of the current dollar exposure covered.

Perhaps the biggest criticism of Robeco is that it is too conservative, missing profitable opportunities because of over-caution. For the year-and-a-half leading up to the autumn of 1984 Robeco kept its dollar exposure fully or nearly completely covered, thereby reducing its currency gains.

The profits would have been higher if dollars had not been sold forward but Robeco managers are unperturbed. They reason that a missed chance to make money is better than losing money.

L.R.

Today's value of £1,000 invested

(Over ten years. Statistics to February 1 1985)

	Robeco	Rolinco	Rorento	Rodamco
1 year ago	1,215	1,144	1,185	1,221
2 years ago	1,613	1,502	1,224	1,248
3 years ago	2,289	1,995	1,882	1,611
5 years ago	2,960	2,768	2,210	1,842
7 years ago	3,601	4,007	2,171	—
10 years ago	6,222	6,623	4,113	—
Size of funds (£m)	1,842	982	1,159	454

Totals	4,437
Roparco	394
Capital Management	351
	£5,182

Reinvested growth

(Average annual compounded percentage rate, over past ten years)

	1 year	2 years	3 years	5 years	7 years	10 years
Robeco	21.5	27.0	31.8	24.2	20.1	20.1
Rolinco	14.4	22.6	25.9	22.6	21.9	20.8
Rorento	18.5	10.6	23.5	17.2	11.7	15.2
Rodamco	22.1	11.7	17.2	13.0	—	—

Underwriting climate improves

Insurance

CHARLES BATCHELOR

ROTTERDAM'S INSURANCE exchange and its counterpart in Amsterdam play an important in the Dutch insurance world despite the recent wave of mergers among the large Dutch insurance companies.

The companies are large enough to handle most risks in-house but there are still certain classes of business they prefer to place through the exchangs.

The two exchanges account for 20-25 per cent of the annual Fl 10bn (£2.44bn) worth of non-life premium turnover in Netherlands. Rotterdam claims about 60 per cent of the business carried out by the exchanges.

Rotterdam accounts for 40 per cent of all marine and cargo premiums paid in the Netherlands with business worth Fl 300m a year. It specialises, for example, in the big towing risks handled by the Dutch tugboat companies.

Fire risks

It takes about Fl 375m worth of premiums for fire risks although Amsterdam is larger in the fire maket. Rotterdam is also writing an increasing amount of commercial liability business.

The two Dutch exchanges, like Lloyd's of Londno and the smaller Hamburg and Bremen insurance markets owe their origins to the trading traditions of the cities in which they sprang up. The Rotterdam exchange can trace its history back as far as 1598.

The survival of the exchanges in a period of ever-easier electronic communications is by no means guaranteed. But they have continued in business and appear to meet a need for personal contact in the negotiation of increasingly complex insurance arrangements.

The insurance exchange committee and the managers of the Rotterdam Exchange building in which it is housed have been doing all they can to enhance the exchange's role.

Two years ago they completed a Fl 4m investment programme to modernise the exchange floor. The simple pitches occupied by brokers and underwriters since before the war were replaced by glass-fronted booths provided with the latest in telephone, telex and computer links.

The aim has been to retain the principle of an open exchange floor while at the same time granting increased privacy for confidential discussions.

An even more ambitious investment programme is now under way to build a 20-storey office tower costing Fl 71m above the main exchange building. The first 12 floors have been tentatively reserved for exchange users. It is hoped this will create a closer insurance community.

This modernisation programme took root in the ashes of an ambitious plan for the Amsterdam and Rotterdam exchanges to join in a new combined exchange on the outskirts of Amsterdam.

This plan was prompted by the threat the two exchanges saw from the mergers going on in the insurance world during the 1970s. This was reducing the number of participants who needed an exchange while the outdated facilities were becoming less suitable for the increasingly complex nature of the business.

It was an emotional attachment to its city rather than any fundamental reassessment of market trends which decided the Rotterdam insurance community to stay put.

Participants in the market nevertheless hope that after five years of recession the signs of a slight recovery in the Dutch economy will boost business volumes and benefit the exchanges.

The overcapacity in the non-life sector which led to fierce price competition and losses on some types of business has been reduced. More realistic rates are now being charged, many believe.

"We are returning to a better underwriting climate," said Mr Dick Nijhoff, a director of Mees & Zoonen, one of the leading brokers. "Premiums are stabilising."

All that remains of the plan for a combined exchange is a centralised administrative system which allows brokers to provide details of the cover they seek on computer tape to the exchange. The paper work involved in the collection of premiums and the settlement of claims is also being automated. Participants stress, however, that this does not amount to a central clearing system for insurance business.

Meeting place

The Rotterdam exchange functions as a meeting place for some 30 brokers and, on the underwriting side, for about 60 authorised agents acting for Dutch and foreign insurance companies as well as representatives of the companies themselves. With back-up staff and technical experts the exchange community numbers about 2,000 people.

The market works in a similar fashion to Lloyd's with a lead underwriter negotiating the details of the cover and other underwriters taking up what they consider a suitable percentage of the "slip."

The authorised agent system allows foreign companies to establish a presence in the Dutch market quite cheaply. There is however now a trend for the larger Dutch and foreign companies to have their own representative on the exchange.

Agents usually act for several different companies. Between 500 and 600 companies are represented either directly or through an agent in Rotterdam.

The two Dutch exchanges differ from Lloyd's in that the risk is underwritten by professional insurers, not by syndicates of wealthy individuals or "names." There is no scope for friction between the market professionals and amateur outsiders.

Full report

Authorised agents differ from Lloyd's underwriting agents, Hudig-Langeveldt, the largest Dutch broker, noted in a recent review of the Dutch and Lloyd's markets.

"Authorised agents represent insurance companies to which each year they have to submit for control a full report on their activities," it said. "Lloyd's on the other hand has been criticised for making reports to its names which are inadequate or difficult to understand."

The 75 to 80 per cent of Dutch business which by-passes the two exchanges comes from what is known as the "provincial" market. Agents—either self-employed or working for brokers or banks—channel business to the insurance companies.

Nationale-Nederlanden, the largest Dutch insurer with 1983 premium income of Fl 9.6m, works through a network of no fewer than 12,000 provincial agents.

Nat-Ned is also represented on the two insurance exchanges though they account for a relatively small part of its business. For example, it booked 6 per cent of its Fl 780m worth of accident and sickness premiums through the exchanges in 1982. It took Fl 28m worth of premiums through Amsterdam and Fl 18m through Rotterdam.

Most of the insurance written is of Dutch origin. The exchanges have neither the volume nor the reputation of Lloyd's to attract large-scale international business.

"The capital available to the large insurers means co-assurance through an exchange is not so necessary," said Mr Jan Fortuin, executive chairman of Hudig-Langeveldt. "But I am not pessimistic. An underwriter on the exchange must be more inventive than the insurance companies."

Galleries/William Packer

Rewards north of the border

From time to time I admit to a general slackness in getting out of London, to see what the provinces have to offer. But the admission requires some qualification, for pressure on time means that any provincial exhibition requiring at least a day, or even two, to visit must be very certain in its interest.

From Edinburgh, however, comes the word that no one ever approaches the place except in Festival time (which is no true festival of the visual arts, anyway, and not necessarily representative of what goes on); from Glasgow, the even more plaintive cry that Edinburgh at least has its Festival, but who then troubles to make the short journey west? Last week I went to both those cities, Glasgow first.

There, my time was for once taken up not with the City Museum at Kelvingrove, nor with the Hunterian in the University, nor the Burrell, nor even the admirable Third Eye Centre in Sauchiehall Street (which was closed and, anyway, soon to change its exhibition), all of them institutions which I happily recommend to any visitor; but with three small galleries, only one of which I had ever visited before, and then a small civic gallery in the suburbs.

The Glasgow Print Studio is a co-operative enterprise which for the moment occupies its original premises on the top floor of an old factory block at 128 Ingram Street, though it is looking to move in some months' time. It offers working facilities to its members in all the techniques of print-making and photography, and has an excellent gallery besides, where members' work is held in stock and special exhibitions are put on. The current show is of prints and paintings by a young Scottish artist, Douglas Thomson (until March 27), whose characteristic image is the simple yet grotesque head, set up in ones and twos, often on a very large scale, with freedom and real panache. It is, however, often somewhat forced in its exaggeration; and the more so, the more derivative it is.

Honest influence, of course, is nothing to be ashamed of, and in Scotland the expressionist example of Beckmann has been brought very close to home by John Bellany, in particular: but it is good, nevertheless, to see in the smaller, more straightforward work, that Thomson is moving towards a statement altogether more personal and direct.

The Compass Gallery, at 178, West Regent Street, was showing watercolours and prints by a somewhat older Scot, John Taylor; and though that is now over, he also is closely associated with the Glasgow Print Studio where, no doubt, much of the work will be still available. His is a cool, suggestive abstraction derived perhaps from the figure or the landscape; or as of late from folded, almost architectural, forms that might be screens, or scenery on an empty stage, or even some sort of envelope. The larger, freer statements of such images are the most impressive.

The Compass Gallery is the creature of Cyril Gerber, who has kept the flag of contemporary art flying in Glasgow for a generation past. He has now extended his scope somewhat to embrace British art of the past 100 years or so, and has opened another gallery down the road at number 148. This is occupied by a splendid miscellany, much of it never seen in public before, of the work of Joan Eardley.

Miss Eardley, born English but claimed a Scot — for she spent her adult life there—died in 1963 aged 42; and though her reputation since then has been growing by degrees ever stronger, it is still perhaps not so secure and wide as it deserves to be. But these are propitious times: when once her immensely vigorous and uncompromising figurative expressionism might have worked against her, out of tune with critical and curatorial fashion and current painterly interest, now it seems, in the light of resurgent figuration both at home and, especially, abroad, even more apropos. Besides, her work is unselfconscious, unforced and consummately well done. Nothing here is very large — some of the pastel studies indeed tiny—but everything carries the authority, the implication and, thus, the responsibility of the grandest scale.

Last in Glasgow, there was the short-trip out to Milngavie and to the Lillie Art Gallery, which the local authority supports, a very fine and accommodating space of middling size that could show off work of almost any kind to advantage. The show now (until March 30) is of large etchings, and objects and reliefs of handmade paper, by Jacki Parry, yet another alumna of the Print Studio. This work, of the past few years, is to do with images of weather and landscape, clouds, rain and waves, rivers, mountains and salt pans, the objects relating to such things as raincatchers, gardens and screens. It is all undemonstratively evocative, quite self-possessed, and admirably professional.

Two objects took me on to Edinburgh: the first to view the exhibition of Per Kirkeby's work at the Fruitmarket, the second to see the comprehensive hang of the translated Scottish National Gallery of Modern Art, now in its new home at John Watson's School. Kirkeby is a Danish painter and sculptor whose work was first seen in Britain in the Royal Academy's New Spirit exhibition four years ago; and this now, in its small way, is a useful retrospective, for it gives us something of the earlier painting on a smaller scale; while the large brick sculpture alone downstairs stands for his sculptural preoccupations of a decade and more.

I say "small way" advisedly, for the show is scarcely overhung: but that is no bad thing, and certainly the four large paintings in the lower gallery, which for me are the strongest, most interesting and most beautiful of the works, gain enormously by the clear, clean spaces they are allowed. For, big as they are and forcefully stated, these are quiet and atmospheric paintings that draw us in gently into their dark, romantic suggestions of landscape.

The sculpture, perhaps through its arbitrary isolation, seems less convincing; and it is left to the smaller bronzes upstairs, of fragments of reclining figures, and flexed arms and legs, to persuade us of Kirkeby's authority as a sculptor (until 13, then on to Dublin.

My visit to the Museum of Modern Art was very much for information. We have known all along that the permanent collection is of considerable distinction; and for another week or two, more of it is on show than ever before, the whole run of galleries on both the ground and upper floors being given over entirely to it, with its British aspect in particular being celebrated upstairs. Special exhibitions will clear these galleries from time to time, of course; but, even so, there will always be more of the collection on view than ever was possible at Inverleith House, its old home in the Botanical Gardens.

Joan Eardley's "Italian Peasant" (1948)

And so to other things: the Alfred Wallis show at the Mercury Gallery on the Mound (until April 6); Jonathan Gibbs' elegant abstract drawings, and Lucinda Mackay's extraordinary portraits and fantastical compositions, impressive, powerful, and highly personal, at the Scottish Gallery in George Street (until April 3); and meetings with two of Scotland's most energetic and influential gallery proprietors, Andrew Brown of the 369, who will soon move down the High Street to splendid new premises, and Richard Demarco.

Demarco is a very special case, who today is made OBE for his services to Art in Scotland, which must be the very least he deserves. And yet, he hangs on in his activity by his fingernails, for he has ever been conspicuously non-profit-making, and is today the pensioner of the Scottish Arts Council, kept on a tight three-monthly rein—which is no way for him responsibly to plan ahead.

Can Edinburgh—or Scotland, for that matter—do without him? The Scottish Arts Council would do well to remember that it has been Richard Demarco these past 20 years, rather than itself alone, who has established the context against which the best of current international art may be seen in Edinburgh, at the Fruitmarket or wherever; and, certainly, his the goodwill that makes the best artists want to come at all.

La Fausse Suivante/Nanterre

Michael Coveney

Patrice Chéreau directed this haunting early play of Marivaux some years ago for the Spoleto Festival. But most European playgoers remember more his stunning TNP version of *La dispute* which visited the National in 1975. This fascinating production opened to a reasonably enthusiastic reception on Friday night at the Théâtre des Amandiers in the Parisian suburb of Nanterre, Chéreau's recently adopted base. It constitutes another significant chapter in the post-war French theatre's Marivaux adventure: the piece was one of Sylvia's biggest successes with Marivaux's Italian comedians, but lay dormant after his lifetime until 1960 and the Grenier Toulouse revival. Chéreau now confirms not only its stageworthiness, but also its right to be placed alongside the seven or eight plays we know best.

As in *La dispute*, Chéreau and his designer, Richard Peduzzi, have created a world of 18th century realism (sweeping black capes and frock coats, tricorn hats, high boots) in a curious nightmare setting of monumental walls and sickly lighting. The stage is an ambiguous location by a large curved ramp, with one classical doorway and a peculiar element of emblematic architrave: a stone owl peers down like a misplaced adornment on a huge pastel wall, and a figurine stares impassively from above the lintel. The action is set in a perpetual dawn chorus of farmyard noise, characters moving quickly, anxiously, as if to catch the first coach or at least avoid meeting anyone else.

As in *Le triomphe de l'amour* (currently revived with mixed reports as the Comédie Francaise), *La Fausse Suivante* (1724) has a disguise theme that, unusually for Marivaux, involves a change of sex. When I heard that Jane Birkin was in the cast, I assumed that she would be playing the Parisian heiress who poses as a Chevalier in order to observe her assigned husband, Lélio, at the house of a Countess whom he is fleecing. Lélio encourages the Chevalier to make love to the Countess so that he can benefit from a *dédit* she has agreed to pay him should she, the Countess, decide not to marry him.

Ms Birkin, in fact, plays the Countess, responding to the Chevalier's overtures with the erotic eagerness of a ravenously renunciating celibate, draping her sylph-like torso, the most animated rib cage in the business, around the mustachioed wooer of Ms Laurence Bourdil and springing over the stage like a soft baby gazelle. She is provocatively, bewitchingly sexy and she unleashes a performance remarkable in one so obviously devoid of any developed physical or vocal technique.

What surprises me is the extent to which Ms Bourdil fails to respond. There is little attempt in the show to investigate the sexual ambiguity of the Chevalier's position—this is, after all, an explicit variation on the Viola/livia scenes in *Twelfth Night*. Instead, her Chevalier is a calculating, impassive figure, although the final resolution, bitterly unsatisfactory to all concerned, finds Ms Bourdil collapsing exhausted and shaking out her dark locks from the confines of a restrictive hair net

The great Michel Piccoli, whom I last saw on stage in Peter Brooks's Paris *Cherry Orchard*, plays the disgruntled valet Trivelin, the model for Beaumarchais' Figaro. Here the production really does come into its own, for the bizarre permutations of the three aristocrats are seen as hallucinated images if compared to the sordid scamperings of the three servants. Trivelin is standing in for Frontin as servant to the Chevalier, while the staggering drunkard Arlequin, Lélio's valet, is squeezing what wine and money he can out of the romantic deals.

M Piccoli makes inventively expressive capital of his function as an embittered wiseacre high-jacked on the road from a recent disillusioning engagement (the production makes superb theatrical sense of the notoriously irrelevant first scene); and, as Arlequin, Bernard Ballet is as good as his name, and better, providing the performance which, for me, is the most engaging and accomplished of the evening. Pierre Vial is a dependable Frontin, while Didier Sandre compensates for his limited technical prowess with a truly nasty, sinister presence as the seemingly unpleasant Lélio.

The three acts are given more or less as written. Apart from the Chevalier's burning of the *dedit* and the sustained peculiarity of the actors' movements, erupting in demonstrations of sexual domination, there are no great coups or elaborations. There is a lacuna left, for instance, around Trivelin's attraction to the Chevalier (whom he knows to be a woman). But the first- and third-act visitations of the peasant wedding guests are superbly handled, setting the callous jockeyings of Lélio and the Chevalier at an even further remove from both the servants' desperate ministrations and the pathetic sexual and emotional isolation of Jane Birkin's poignantly begrimed and buffeted victim, left to flutter vainly in her walled-up château like a moth behind a lighted window.

LaSalle Quartet/Almeida

David Murray

After its patchy opening concert, the "Mahler, Vienna & the 20th Century" festival played an early trump card with the LaSalle Quartet. This fastidious and magnificently reliable team appeared on both Friday and Saturday; the second concert, before a shivering little audience in an Icy Almeida Theatre, must have tested them hard, but neither their concentration nor their technique wavered. To play Beethoven's *Grosse Fuge* in tune is a feat any time; to do that in Arctic conditions (and at the end of a taxing programme) was awe-inspiring.

The *Grosse Fuge* got a superb exposition. Its progress from tempo to tempo was managed purposefully and naturally, the counterpoint lucid and strongly characterised. The sense of Beethoven straining the medium to its very limits wasn't lost, but it didn't take the usual form of raw squeals in the most furious and intractable passages. The LaSalle sound was always polished, though not prettified, and the ensemble cogent—not mechanically exact, but energetically drawn together. Whether the coda demands more of a desperate final thrust is a matter of opinion; here it was incisive but measured—probably the LaSalle couldn't sound effortful if they tried. Lee Fiser's cello provided a noble foundation throughout.

The LaSalle's performances of Berg are justly renowned, and this time their ultra-sensitive account of the Quartet op. 3 was if anything more suggestively pointed and searching than before. They deployed a brilliant range of colours, from phosphorescent to sulphurous, and lit up Berg's elaborate structure (where a few misplaced touches can obscure the sense of the whole). The work comes to seem more and more like an assured masterpiece, not just an interesting early Berg piece—just the sort of thing one hopes this festival will demonstrate as its proceeds.

The longest work in the programme, and the most recent, was Luigi Nono's *Fragmente-Stille: an Diotima*, composed for these players some five years ago. Over more than half an hour it requires the sternest concentration from performers and audience alike: much of it is very still indeed, with long-held whispering chords and bare fragmented gestures. The level of intimate intensity is very high, the dynamic profile very low, and Nono's long sequence of thoughtful paragraphs has no special forward impulse. Glassy meditations are interrupted only by brief pulses; half-decisive moves are always suspended. The mournful beauty of the writing was well found in the close quarters of the Almeida — it would scarcely be transmissible in a bigger hall; but it would have been nice to be warmer.

Howard Keel tour start delayed

Howard Keel, who plays Clayton Farlow in the television soap opera *Dallas*, has been forced to cancel the first five dates on his forthcoming British concert tour due to injuries sustained in a charity ski event in California. The tour will now start at the Empire Theatre, Liverpool, on April 18.

Dilys Hamlett and James Maxwell

Long Day's Journey/Manchester

B. A. Young

Eugene O'Neill put all his faith in the players. His play, *Long Day's Journey into Night*, has no real action, only a jigsaw of a tragic situation that is put together by the conversation of the four characters. In this production, directed by Braham Murray instead of the usual cabal at the Royal Exchange, Johanna Bryant's set consists of no more than four handsome chairs around a table that remains unchanged except for the number of bottles and glasses on it. This is the living-room of James Tyrone's summer home on the Atlantic coast; and the chairs are for himself, wife Mary and his two sons, James, Jnr. and Edmund.

James Tyrone, an actor grown prosperous on his playing of one part, is Irish, mean and proud. His elder son is a bad actor and an alcoholic. His younger son is a layabout with consumption and a promising literary talent. His wife is a morphine addict. For nearly four hours they sit and hurl their vices at one another. This is how O'Neill (who drew himself as Edmund) remembers his own family life.

The performance I saw was the final preview, but seemed finished enough. James Maxwell is a credible Tyrone from the outset, praising his cigar as "a godd bargain" and his latest property deal as "a good profit." Clearly, he is a Man of Distinction, his immaculate grey hair undisturbed throughout a long day of appalling distress and anger. We soon see that Mary is back with her old weakness, and everyone knows. She feels "a bit high-strung." she has a false obssion with her back hair and her hands, half-clenched, dart endless short gestures about her face. Though Tyrone is always kind and patient, she constantly rates him for his meanness and his Irish peasant vulgarity.

As James, Jnr, Jonathan Hackett is small, untidy and lazy, a faithful denizen of bars and whore-houses. Like Edmund, he sneers at his father for icing his talk with Shakespearean quotes: but in the long drunk-scene at the end, he himself spouts verse all the time, though from more recent sources.

It must have riled O'Neill that he could not write dialogue of his own to fulfil that function, but (as he says in the persona of Edmund) all he has done is stammer, "and it's the best I'll ever do." (*Long Day* was a fairly late work.) Michael Mueler's Edmund has his share of verse as he sits with his father and they declare their mutual love in an exchane of insults. He has published poems in the local paper but prefers to recite Baudelaire, which his father finds degenerate. Through the earlier stretches of the play, he has had to sit silent while the others flash their emotions around him; only when he has been consigned to a sanatorium by his doctor (he calls it a "state farm") is his tongle loosened in quarrelsome argument with his father and then his brother.

Dilys Hamlett as Mary is completely high in the moving last scene. She comes into the room where the three men are drinking and arguing, with her old wedding-dress under her arm. She speaks only of her youth, when she hoped to be either a nun or pianist. Then, she says, something happened. "I fell in love with James Tyrone, and we were so happy . . . for a time."

Kantorow, Gifford/Wigmore Hall

Paul Driver

Achieving a natural and meaningful balance of sound is the problem for duettists in the rater rare medium of violin and guitar — a medium chiefly created by Niccolo Paganini, whose work began and ended the recital given by Jean-Jacques Kantorow and Anthea Gifford at the Wigmore Hall on Sunday night. It was their début as a duo.

The problem is that the guitar when accompanying, which it was doing in most of the items, sounds distant and perfunctory, like a muted piano or a fortepiano; while when it is heard alone makes the violin solo suddenly seem incongruous. Since Kantorow's sound is peculiarly blossoming and big, anyway (it has the succulence of ripe peaches), and Gifford's most distinctive when delicate, the problem was exacerbated. Mauro Giuliani's agreeebly sub-Mozartian Grande Sonate, Opus 85, was in consequence duller than it might have been (although the *Andante molto sostenuto* was sweet, affecting), in spite of individually polished execution.

Paganini's Sonatas, Opus 2, of which we heard the first six, were hardly more engaging to the ear, though their note-spinning routine and characterless invention were more to blame than the performers. In the last one's Largo opening movement, an incipient musical life was indeed seized on by Kantorow, whose splendid virtuosity was here expressively to the fore. But throughout the concert I longed to hear his juicy sound and effortless skill employed in something proper, like the Brahms concerto.

Anthea Gifford alone in three idiomatic sketches by Agustin Barrios was a delight in at least two of them—*Romanza en Imitación al Violoncello* appeared to falter slightly, but that might have been part of the imitative effect. Only in Michael Berkeley's commissioned duo, *A Mosaic for Father Popieluszko* (receiving its première), did one expect to find parity of the two parts; and sure enough there was a vivd interplay of quite nice ideas, flattering both instruments.

Deadlines/Theatre Upstairs

Michael Coveney

An 18-year-old boy in South Yorkshire has committed suicide. Stephen Wakelam's intriguing play for the Joint Stock touring company opens with a Radio Sheffield journalist (Kathryn Pogson) coaxing background details from his sister (Shirin Taylor). On the back of what she guesses to be a resonant parable of the miners' strike, the journalist dreams of the national network and a job on BBC TV's *Newsnight*.

The boy's mining family top and tail the play. At the end, the journalist is on a remote hillside with the boy's brother-in-law. This slow scene between two old schoolfriends — Ms Pogson is remembered as Gabriel in the nativity play — is a wonderful exposition of how community ties are tested by professional exigencies. The journalist belongs to no party, is proud of her nosiness. She cannot say what she likes: she would lose her job.

The time is last autumn, and the theme of journalistic response to national crisis is elaborated against the backdrop of the Labour and Conservative party conferences. Offstage at both events, we see a bow-tied gadfly sniffing for gossip, while the Sheffield link comes through in the shape of a solid labour reported from the Star. Neil Kinnock is up against the ropes at Blackpool, while after-hours jollity at the Grand, Brighton (Miss Taylor giggling in a clingy black dress over a foyer telephone) presages the explosion and the transfiguration of the gadfly as a media star holding forth in a deck-chair, grey powdered concrete in his hair.

Simon Curtis's production neatly switches our expectations from Brighton aftermath to plot development at a fire up at the colliery. This has been prompted by the manager's comments on *Newsnight* questioning the Inquest's conclusion that young Kevin killed himself in despair of never finding a job; which in turn has led to the sensually enjoyable TV studio sequence with the dead boy (alleged now to be a mere hooligan) a receding image in the putting together of a television news programme. The studio theatre is alive with small screens and the excited hubbub of transmission nerves.

Similarly, the production catches the work atmosphere of a newspaper office very well, with stories plucked from the wire service and allocated with a huff and a jeer to a disinterested and threadbare staff. For all its intermittent surface attractions, however, the play lacks any real centrifugal force, and despite the good work of a versatile cast of six, has too little of interest to say on the subject of juornalism. It is best when indulging in such knockabout as a Bingo millionaire presentation at Blackpool, Robert Maxwell appearing complete with stick-on eyebrows, or the sight of *Newsnight's* Celtic presenter (Paul Jesson) heaving his suited corpulence from the spirit of national inquiry to more urgent and basic après-show matters.

Unlike another current Yorkshire suicide thriller, David Hare's film *Wetherby*, Mr Wakelam's piece is not pulled together with the convincing finality—emotional or narrative —that would make of its components a resounding whole. The mystery, in short, is not properly solved any more than the case against journalism is convincingly made. Lively work, nonetheless, and a respectable if non-vintage Joint Stock show.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

March 15–21

ITALY

Verona: Teatro Filarmonica: Gluck's Orfeo Ed Euridice: a production by Giancarlo Cobelli, with scenery by Maurizio Balo. Gail Gilmore sings Orfeo, Daniela Dessi, Euridice and Antonella Bandelli is Amore. The conductor is Massimo de Bernant (22880).

Milan: Teatro Alle Scala: A new production by John Cox of The Magic Flute with scenery and costumes by David Hockney. Wolfgang Sawallisch conducts a cast which includes Barbara Bonney, Syllvia Greenberg, Adelina Scarabelli and Hakan Hagegard. (809128).

Palermo: Teatro Massimo (Politeama Garibaldi): Verdi's Don Carlos conducted by Pinchas Steinberg; ballets to music by Mozart, Schönberg and J. Strauss with choreography by Vittorio Biagi. (584334).

WEST GERMANY

Berlin, Deutsche Oper: The Magic Flute features Carla del Re and Harald Stamm. This week's highlight is Otello with Pilar Lorengar, James McCracken and Guillerma Sarabia as leads. Also Don Giovanni, sung in Italian, with Edda Moser and Bengt Rundgren. (34381).

Frankfurt, Opera: Der Wildschütz has Karl Fäth in the part of Baculus. Jill Gomez is repating her much praised performance as Donna Anna in Don Giovanni. Aida is sung in Italian. Der Zigeunerbaron rounds off the week. (25621).

Cologne Opera: Premiere this week of Madame Butterfly produced by Jean-Pierre Ponnelle. The cast includes Yoko Watanabe in the title role and Ernesto Veronelli as Pinkerton. The television production of La Gazza Ladra returns. Lohengrin is of respectable standard with Mechthild Gessendorf and Eva Randova (20761).

PARIS

Doctor Faustus alternates with Soirée de Ballets, two premiers' by young choreographers, David Bintley and Nils Christe, and Balanchine's Crystal Palace at the Paris Opera (7425750).

Rameau's Hippolyte et Aricie with William Christie conducting his baroque ensemble, produced by Pier Luigi Pizzi. Aricie is sung by Daniele Borst/Donna Brown; Diana by Veronique Dietschy/Marie Christine Porta. Salle Favart-Opera Comique (2960611).

VIENNA

Volksoper: Lehar's Das Land Des Lächelns conducted by Bibl with Holzmayer, Graczoll, Wasserlof, Nemeth; Gipsy Baron conducted by Artmuller; Bittner's Der Musikant; Vienna Blood conducted by Bauer-Theussl; The Count of Luxembourg conducted by Wildner.

LONDON

English National Opera, Coliseum: Fidelio, in a dour, didactic staging by Joachim Herz, has Josephine Barstow in the title role and Mark Elder as conductor. Further performances of Count Ory, Rossini's most finely made comedy, which, musically at least, has come up fresh - John Brecknock, Isobel Buchanan, and Jane Edward lead the cast. (8363161).

Royal Opera House, Covent Garden: Royal Ballet triple bill includes a new Michael Corder ballet. Also performances of Sleeping Beauty and Manon.

Sadler's Wells, Rosebery Avenue: Ballet Rambert season. (2788916).

NEW YORK

Metropolitan Opera (Opera House): Franco Zeffirelli's production of Tosca continues, conducted by Giuseppe Sinopoli with Hildegard Behrens and Placido Domingo. Thomas Fulton conducts last season's new Ernani, starring Montserrat Caballe, Ermanno Mauro, Pablo Elvira and Paul Plishka. Die Meistersänger, conducted by James Levine, features Mari Anne Haeggander, Edward Sooter and David Rendall. James Levine also conducts the premiere season of Nathaniel Merrill's production of Porgy and Bess, designed by Robert O'Hearn, with sopranos Grace Bumbry and Myra Merritt, bass Simon Estes and baritones Charles Williams, Gregg Baker and Bruce Hubbard. Lincoln Center (3626000).

Joffrey Ballet (New York State Theatre): The four-week season continues with two Ashton evenings and two Arpino evenings among the mixed programmes. Ends March 31.

Arts news/Antony Thorncroft

GLC's Riverside disaster

Arts groups throughout London, from the National Theatre to local community projects, are waiting on tenterhooks to hear from the GLC how much money they will receive in 1985-86. They could have a long wait. The debacle over the rate-fixing debate means that the GLC has not got its maximum possible budget, and the arts will suffer in the general trimming. The first announcements are not likely to be made until April, well into the financial year.

The delay is unlikely to make the GLC many friends among arts organisations, who are already complaining about the amount of political interference that follows receipt of GLC subsidy. As well as staffing and payments—GLC-funded bodies have to break down their payroll by race, sex and wages, and are subject to checks that the information is correct—the GLC also takes a close look at the programming.

One arts body that has been the subject of particular GLC interest, the Riverside Studios, has just experienced the inconsistencies of political control. As its price for rescuing the Riverside from its latest financial crisis, the GLC demanded the head of its administrator, David Gothard. It accused him of presenting elitist and unpopular work, and of poor management. The unbiased view would be that, although no businessman, Gothard has over many years succeeded in making Riverside both artistically prestigious, and popular, at least with lovers of the avante garde.

Last week, the GLC hired Riverside to present its Arts in Danger festival. It spent many thousands of pounds in promoting the event. The result was a disaster, with some of the smallest audiences ever seen at the Riverside. At one performance, with 30 in the audience, there was a discussion as to whether it was worth continuing with the show.

What was planned as a showplace for the arts which might be in danger if the GLC was rate-capped became instead unattended coteries for minorities. The publicity, handled by Labour Movement Services, seems to have made no impact. The efforts of the performers were wasted. Even in its most élitist period, Riverside has never wasted money on the scale the GLC managed last week. David Gothard would be justified in asking the GLC arts committee what it means by the words "popular" and "efficiently managed."

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Paying for television

THE NEW BBC licence fee for *colour television is* due to be announced within the next week or two. The corporation has asked for an annual fee of £65 to run fo trhree years. Last time it asked for £53 and was awarded £46.

Presumably not even the BBC *thinks that it will receive its* full £65 request. Not only have the accountants Peat, Marwick, *Mitchell* and Co sugegsted *in* their recent report that the corporation could be run more cost-effectively, there is also the natural temptation in any bargaining to ask initially for more than you can reasonably settle for.

So let us assume that the Government sets the fee at around £56 for the next three years and everyone is tolerably satisfied. The really interesting questions are what comes next. What happen between *now and* 1988—possibly an election year—when the fee will have to be set again?

The Government is probably right not to be radical this time. As the public debate over the last few months has shown, there is a great deal of attachment in the country to the broadcasting system as i exists.

Many people do not want advertising on the BBC, though they accept it quite happily on ITV. *They insist that standards* are high because they are set by the corporation even though, *more often than not, it is the* independent companies that win the prizes. There does not seem to be an enormous pent-up demand for more channels or new forms of transmission.

Comfortable

In short, there is a widespread view—which may be correct—*that the British have the best* television in the world. It is shared and fostered by the BBC and the ITV companies. Between them they have developed a comfortable duopoly which is opposed to radical change. There is still a prevailing notion that television programmes — or electronic publishing, which is what they are—should be closely regulated in a way that does not apply to books, or newspapers *or music or theatre.*

In the longer run, however, it may be wondered how far this view is either desirable or sustainable. For a start, television is still in its infancy. It *might* be reasonable to afford it some degree of protection and regulation at the beginning, as for an infant industry. Yet as the range of technological possibilities becomes wider, regulation could be a hindrance to freedom of choice.

There is also the example of Channel 4. In a way it only completed the symmetry of the *existing system. It is ITV's* minority channel—the equivalent of BBC 2. But in practice it has proved rather more than that. It has developed new kinds of programmes and won an audience for them. Peat, Marwick, Mitchell say in their report that the BBC might follow the Chnanel 4 example and commission more programmes from independent producers. Very few complaints are heard about it taking *advertising. If one new channel* can take off within a couple of years, why should not others?

Compulsory

Not least, there is the perennial squabble about the licence fee. As Mrs Thatcher has said, it is a sort of compulsory levy on the viewer, irrespective of how much he or *she* watches the BBC. ITV, meanwhile, can charge very high rates for advertising *because the BBC is not in the* competition. That is the duopoly. It is not self-evident that that is the best way of financing television.

The debate in the last few months may have prepared the ground for change in the future. What we would hope is that, when announcing the new licence fee, the Government *will say that there will be a* thorough review on the future of broadcasting before going *through the same process next* time. This would take into account the new technologies, alternative forms of financing and how far there need to be regulatory bodies. The results should be available well before 1988.

In the meantime, the Government should be warned of one danger. If the duopoly is to go on, *the BBC should not be unduly* starved of resources or told to stay out of new forms *or schedules of broadcasting.* That is the way to ITV plus a poor relation. At least duopoly is a relationship between near equals. It has to be paid for.

Wavering U.S. self-confidence

AN INTERESTING pattern emerged in the currency markets yesterday. The dollar, which appeared *to have* shrugged off any doubts caused by the Ohio home-loans crisis during the European trading day, fell sharply almost as soon as the U.S. markets opened. It is far too early to decide what trend, if any, has emerged; but it was a reminder that the strength of the dollar, which has been explained as a flight *from dangers elsewhere* (but yesterday the Middle East situation looked still more unstable), as a reaction to *interest* rate differentials (but the dollar rose while the differentials closed) and as a reflection of foreign confidence in the U.S. economy, really depends on something much simpler: U.S. self-confidence. For a number of reasons, that self-confidence new seems to be wavering.

The importance of U.S. sentiment is a *simple matter of* arithmetic. Although much attention has been focused on foreign purchases of U.S. securities, almost the whole of the change in the capital account which has made it possible to finance the current deficit has been in U.S.-controlled flows. Foreign portfolio and direct investment into the U.S. has *continued at much the same* annual rate for the past three years. On the other hand U.S. banks, which used to re-export the whole of this flow and more, have subsequently decided that their funds are best deployed at home. A combination of unhappy experience in foreign lending and confidence in the domestic economy produced an enormous swing.

Complacent

The ease with which this reversal of flows was accomplished has generated something more than self-confidence *in the U.S.; a good deal of* comment, including some from Administration officials, has been dangerously complacent. The U.S., it seemed to be *implied, could not only afford* to borrow nearly 3 per cent of national income annually, but almost had an international duty to do so.

Unrealistic sentiments like these are always vulnerable and it is quite characteristic that some of the less-favourable comment now circulating *reflects* relatively trivial and sometimes misleading evidence. The Ohio *crisis is not a national disaster* in itself but it has reminded the U.S. markets how dangerously *stretched the whole* savings and loan industry has become.

The recent rebound in imports will not have surprised traders on this side of the Atlantic, who still find the U.S. market a uniquely rewarding opportunity, but it has shaken *some U.S. comentators who mistook* an inventory correction in the closing months of 1984 for *a favourable change in* trend. The fall in industrial output and capacity utilisation in the most recent figures reflects bad weather as much as any economic force, but it has raised awkward questions about the staying-power of the U.S. economy.

Even the recent productivity calculations, which show an improvement *somewhat below the* cyclical average, seem to be causing some alarm, though *they are a natural reflection of* the shift into labour-intensive services.

Unrealistic

These largely *false alarms* have arisen because previous expectations were unrealistic; *but in the current mood some* other and genuinely disturbing realities are getting belated attention. These include the fierce squeeze on manufacturing profits, the loss of market share in high-technology industries, and the full depth of the crisis *now gripping U.S. farming,* the Texas oil industry and some other exposed sectors.

Equally, the balance sheet implications of continuous borrowing, which Mr Paul Volcker has been proclaiming for so long, may worry a wider *audience now that the* usually bullish Mr Malcolm Baldrige, speaking for the Administration rather than for its critics, has drawn attention to America's *new position as a worldwide net* debtor.

None of this means that the dollar turned decisively yesterday, or that the U.S. legislators are about to be *frightened* into effective action. It suggests that the euphoria which the President was voicing only a month ago may now be fading. Euphoria is not an easy mood to recapture.

Anatole Kaletsky argues that Europe may have something to learn from the U.S.

Deficits don't always hurt

CUTTING government deficits is a top economic priority throughout Europe in 1985. In today's Budget, the British Government, which *spearheaded* the European crusade against excessive government borrowing from 1979 onwards, is widely expected to return to fiscal retrenchment, after an easing which began in 1983. In Germany, the Netherlands and *Belgium, governments* have all made clear that plans for medium-term budget consolidation must take precedence over other economic targets; and *even in Socialist France,* deficit reduction is the order of the day, despite approaching elec*tions and mounting unemployment.*

In America, meanwhile, the Reagan Administration, which has slashed taxes with little or no regard for the budgetary consequences, is basking in economic self-satisfaction and shows no sign of wishing to join Europe's anti-deficit campaign.

The contrasting economic performances *which have* accompanied the divergent attitudes to deficits in Europe and *America are familiar enough.*

Yet, despite the gulf between America's boom and Europe's sluggish recovery, most European governments refuse even to think about emulating the central plank of President Reagan's economic policy—large cuts in both personal and corporate taxes, on a scale which would over-ride the current top priority of deficit reduction.

Why are the Europeans so determined to resist this obvious temptation?

The Europeans' first line of defence against appeals for fiscal stimulus is that it simply wouldn't work. The British Goverment, for instance, never tires of telling its critics that public borrowing automatically "*crowds out*" *private spending* and investment, as interest rates rise in line with the Goverment's credit demands.

This view has not been fully vindicated by recent exprience in America and elsewhere. The final verdict is not yet in about President Reagan's economic experiment; but it suggests the possibility that crowding out *may be neither immediate nor* complete. It is at least arguable that the stimulus from Government borrowing *in America has* far outweighed the adverse influence of high real interest rates, at least in the first few years after the widening of the budget deficit.

President Reagan's tax cuts of July 1982 and 1983, along with the deficits which they engendered, could certainly have played a major part in the *recovery of U.S. economic* activity which began late in 1982, and reduced unemployment from 10.1 per cent to around 7 per cent in less than two years. Since mid-1984 U.S. growth has decelerated (see chart) and the jobless figures have stabilised just above the 7 per cent mark, which many U.S. economists, including influential governors of the Federal Reserve Board, regard as America's "natural rate of unemployment." *This* "maturing" of the recovery is sometimes held to imply that deficits, having helped to stimulate the economy *back towards full* employment, are now becoming counter-productive; their effects are being "crowded out," not so much directly by high interest rates, as through the ever-widening trade deficit.

In Britain, a similar, though more subdued, pattern of fiscal stimulus, followed by gradual crowding out, could arguably be discerned in the past few years. After a fierce fiscal squeeze in the early years of the Thatcher Government — the inflation-adjusted budget deficit was cut by the equivalent of 6.1 per cent of GNP from 1979 to 1981—the Treasury moved back *towards deficit by 3 per cent of* GNP in 1983. Economic growth, already recovering from the depths of the *1980-81* recession improved further in 1983, to 3.3 per cent, the highest rate in Europe. This rate of recovery might well have improved further in 1984, had it not been for the miners' strike. At the same time, however, crowding out through the balance of payments has become apparent—the non-oil trade deficit jumped *from £2.3bn in 1982 to £11.4bn* last year.

In other countries, too, economists at the OECD and elsewhere have found strong correlations between fiscal stimuli and economic growth rates over the following year or two—particularly when a budget indicator adjusted for inflation and the state of the economic *cycle is used. Such relation*ships, which are visible in the charts, suggest to some economists that Europe could raise its short-term growth rate and make a once-and-for-all jump to lower levels of unemployment by relaxing its budgetary policies.

The crowding out which could be expected to occur through *the balance of* payments, if any one country tried to expand on its own—as France did in 1981, with the consequence of an *almost immediate* exchange rate crisis — might in theory be minimised if several European countries co-ordinated a fiscal relaxation.

In practice, however, finance ministers in both America and Europe tend to reject as an outmoded Keynesian illusion any such inference from recent economic events.

The official view on both sides of the Atlantic about the American economic miracle is *that it is a miracle of sorts*—that it has nothing to do with stimulating demand through budget deficits, and everything to do with an explosion in the U.S. economy's capacity to *supply* goods and services. This upsurge in the "supply side" is explained by America's flexible labour markets, by deregulation, by cutbacks in the welfare state and by entrepreneurial high spirits.

In all these respects, however, America's socio-economic structure has differed for decades from Europe's. Why then has the sudden divergence in economic performance occurred only in the past five years, *after a period when* many Americans were so disillusioned with their own system that they were looking to Europe for models of economic management?

For American supply siders the answer is clear—the most important feature of the Reagan revolution has been the incentive effect of swingeing tax cuts. This was *the essential new* element which unleashed the private sector's creativity and enthusiasm.

Yet European governments, which have held up America's supply side revival as a model for their *own hidebound economies*, have rejected bold experimentation with deep and immediate tax cuts. In a sense, they have offered *their* countries the bitter pills in Mr Reagan's prescriptions — the cuts in non-defence public spending, the abolition of subsidies and the scaling back of the welfare state—but withheld *the tasty restorative of tax cuts* which the doctor had instructed to be taken with the tablets. *While the share of government* revenues in GNP has fallen by two percentage points since 1981 in America, it has risen by an equal amount in the six other major OECD economies.

> European governments have offered only the bitter pills in Mr Reagan's prescription

Why have European governments refused to try, if only for supply-side reasons, a Reagan-style experiment with deficit-financed tax cuts? There seem to be three broad reasons.

The first is the need to preserve "financial market confidence," but can also be described as "obstinacy" or "pride." Dr Johnson once said *that* "*patriotism is* the last refuge of the scoundrel," and this comment can be adapted to political economy today. Governments which fear a loss of face if they alter their announced policies, can always adduce "confidence" as a reason for sticking to their original targets, whether these are right or wrong. However, *even in the financial* markets, which look at public opinion polls and unemployment figures as closely as they scrutinise money supply data, this argument can hardly be regarded as conclusive.

The second reason is much more substantial. This is the fear that Europe's deficits and national debt burdens are already in some sense "unsustainably high." Germany and Britain are the only major countries in Europe whose budget deficits this year, forecast by the OECD at 0.9 per cent and 2.9 per cent of GNP *respectively, will be significantly* smaller than America's 3.6 per cent of GNP. Deficits *in other countries* range up to 9.9 per cent of GNP in Belgium and 13.1 per cent in Italy.

Adjusting the figures for the state of the economic cycle and the impact of inflation on the real value of the government's debt presents a much more *favourable picture for Europe:* in 1984, the inflation adjusted trend deficit estimated by the OECD for the U.S. was 1.4 per cent of GNP, while Germany and Britain both had surpluses, of 0.8 per cent and 1.8 per cent of GNP respectively. France had an adjusted deficit of only 0.2 per cent of GNP and even Italy's deficit was just 2.6 per *cent of GNP.*

However, statistical adjustments, even when justified by economic theory, *do not impress* governments which are worried that the aggregate cash burden of national debt, built up over years of deficit financing, will rise out of control. In Germany, the Government's gross debt rose from 18 to 41 per cent *of GNP between 1970 and 1983*, in Japan the jump was from 12 to 67 per cent, and in Belgium, gross public debt amounted to 116 per cent of GNP by 1983. Only in Britain and the U.S. among the major economies, has government debt declined during the 1970s, largely as a result of inflation: from 86 per cent of GNP in 1970 to 54 per cent in 1983 in Britain; from 46.2 to 45.8 per cent in the U.S. Since 1983, the ratio of debt to GNP is believed to have risen marginally again in all the industrialised countries, including even Britain.

Clearly, what worries governments is that the point will come when ever-rising debt burdens can only be reduced, or even limited, through infla*tion. It is impossible to say for* certain whether this fear is right or wrong. In theory, it can be shown that debt burdens will eventually stabilise relative *to* GNP, provided only that interest rates, after tax, do not exceed the rate of GNP growth. The maximum level of budget deficits which would be compatible with a steady debt burden and with zero inflation can also be calculated in principle, on the assumption that money supply is not increased any faster than the real rate of *economic growth.*

Mr Gavyn Davies of stockbrokers Simon and Coates, for *instance, has shown* that in Britain, the Public Sector Borrowing Requirement could theoretically be doubled to around £16bn without requiring inflationary monetisation to stabilise the debt burden. In the U.S. on the other hand, the budget deficit would have to be cut from around $200bn to $130bn on his assumptions.

But such calculations, which could probably be repeated for Japan, Germany and even France *to show that* higher deficits need pose no long-term inflationary danger in these countries, are beside the point, unless governments can be sure of keeping inflation under control without resorting to very high real interest rates, *which* would automatically multiply the real debt burden.

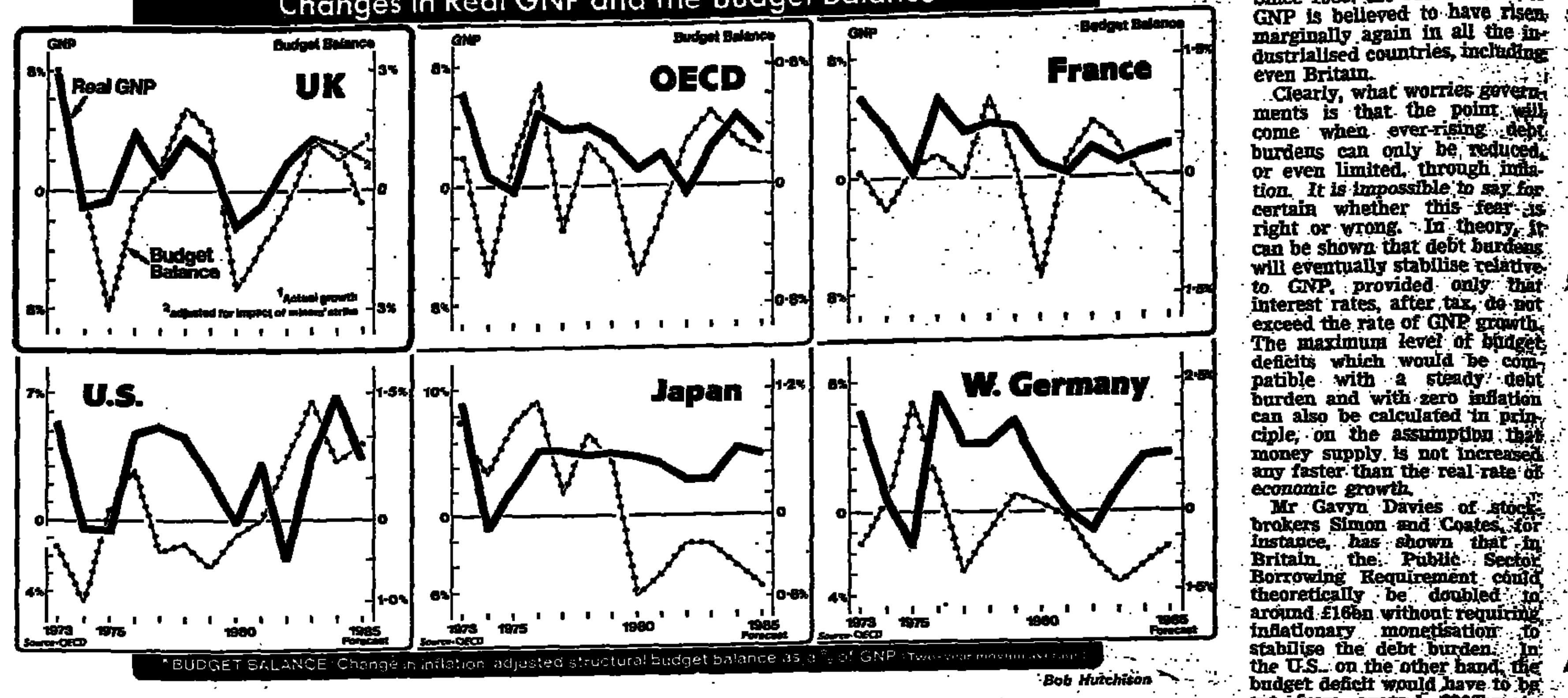
This leads to the third *objection* to deficit-financed tax cuts, which ultimately subsumes all others: tax cuts could lead directly to higher inflation if they were too successful in pushing up economic demand.

This argument, in effect, contradicts the notion that the economic impact of government borrowing would automatically be "crowded out" by higher *interest rates,* but it is quite compatible with the view that monetary authorities will *deliberately* crowd out any extra growth which might result from more expansionary fiscal policies, for fear of its inflationary consequences.

Such a policy would rest ultimately on the intuition that the economies of Britain and Ger*many, for example,* are already growing at the maximum rates compatible with *stable inflation;* that any *significant* boost to growth, which would eat into current rates of excess capacity and unemployment, would set off a new inflationary spiral.

In the end, the issue of whether European economies can afford to run bigger deficits *comes down to the following* simple question: is Europe's labour market so rigid and its economies so ossified that 20m people must remain unemployed to prevent inflation accelerating? Unfortunately, that is a question to which neither theory nor past experience can provide a conclusive answer.

Changes in Real GNP and the Budget Balance*



*BUDGET BALANCE: Change in inflation adjusted structural budget balance as a % of GNP

Bob Hutchison

Men and Matters

Budget relief for Treasury

Whatever its reception elsewhere, Nigel Lawson's Budget *speech* will bring a huge, collective sigh of relief from Great George Street today.

For Treasury civil servants of all ranks will then be freed from the biggest pre-budget security operation in recent memory, and will be able to resume their social life without fear of bumping into a journalist or anyone else on the *lengthy proscribed list.*

Last year's leaks, and the fruitless police investigation *which followed,* prompted top Treasury mandarin, Sir Peter Middleton, a former publicity chief, to introduce a set of draconian security measures which *made the traditional* pre-budget purdah look tame.

Officials as senior as Sir Terence Burns, the Treasury's chief economic adviser, found themselves having to submit reports on any chance contacts with journalists.

Even Middleton found the dis*ruption this caused to civil* servants' social lives embarrassing. *He was overhead in public* calling the measures "excessive," while omitting to mention that he introduced them.

But he was generaly unrepentant. "Things had become a bit lax and unregulated," he explained. "If you're going to have a system of checking, it is less trouble to have a comprehensive rather than a discretionary instruction."

The Treasury, however, was refusing to confirm or deny that *an official with a journalist wife* had to file regular reports on their conversations.

Press officers had to log each and every call from reporters with a note on the subject discussed; budget documents were individually marked, and photocopiers guarded by security staff.

The apparatus will remain in place until former journalist Lawson sits down at about 5 o'clock this afternoon. Let's *hope it has been worth it.*

"For god's sake Chancellor, there was enough fuss with MacGregor and his plastic bag"

Beckett's window

The Confederation of British Industry is showing smart footwork in its dealings with Gorbachev's Russia.

Within days of the new general secretary of the Soviet *Communist Party taking up his* post, Sir Terence Beckett, director-general of the CBI, has put down his marker for stronger links with Russian industry.

Beckett has spotted what the diplomats like to term a "*window*" *in the near future. The* third Anglo Soviet economic conference is due to take place at Leeds Castle, Kent, in late November.

The first two conferences in 1978 and 1983 were low-key affairs between the CBI and the *technocrats of the Soviet State* Committee for Science and Technology.

Beckett has now written to *Academician Gvishiana, of the* Soviet state committee, suggesting that this year's conference, which will be led for the British by Sir James Cleminson, CBI president, should be a high-profile event between Britain and Russia, offering an opportunity for the 40 delegates to get down to serious talks about bilateral trade, comparisons of economic policies, *and co-operation* on technological affairs.

Davy changes

Peter Benson, the amiable chairman of Davy Corporation, was at pains yesterday to ex*plain that the appointment* of a new executive director does not foreshadow the major changes that are due to reshape the Davy boardroom later this year.

"It's not connected" Benson told me yesterday. The new director, Roy Exley, has long been a senior manager of the company's engineering construction companies and the board *wanted another representative* from that division around the table.

More significant changes are expected in a few months time when Benson himself is to retire.

Formerly chairman of APV, *the process plant group, he was* brought out of retirement in 1982 to take over from Sir John Buckley. At the time there was no clear internal candidate for the succession, and Davy needed a firm hand to deal with the sharp downturn in its fortunes *it was then suffering.*

Benson says it is still his intention to retire later this year. But he gives no hint on the succession.

At least there is a *clear* internal candidate this time. Graham Raper, aged 54, is the man. He is deputy chairman with responsibility for Davy-McKee, which accounts for more than 85 per cent of all Davy's business.

It is perhaps too early in the event to start placing bets. Not least because or renewed specu*lation about a takeover bid* since Trafalgar House announced last week it has a 5.5 per cent stake in Davy.

Boon companion

Lloyd's chairman, Peer Miller, will take his own (though less fluent) interpreter, Boon Lian, with him when he visits China with a market *delegation* towards the end of next month.

Boon Lian—whose name *means* "*knowledge of books*" and "lotus flower"—will be no stranger to the team. She is Miller's wife.

Her forebears came from Fukien Province, where one of the Chinese special economic zones to be visited by the delegation is now located. Her family were traders in that part of China two or three generations back, before leaving the country for Malaysia, where Boon Lian was born.

She came to London *as* a teenager to study accountancy and then fashion design.

Under-insured

So accountants Ernst and Whinney face a possible £100m legal action over *losses* suffered largely in the London reinsurance market by former client Insurance Corporation of Ireland.

It brings to mind the press release I received only three weeks ago from a major international accounting firm which proclaimed it was stepping in to bring help to "confused insurance companies" through publication of a hefty, 135-page tome *on insurance accounts and statements.*

The annual statutory return filed by an insurance company was "increasingly being seen as essential reference material for any party wishing to assess an insurance company's performance and *financial* position;" said the firm, which just happened to be . . . Ernst and Whinney.

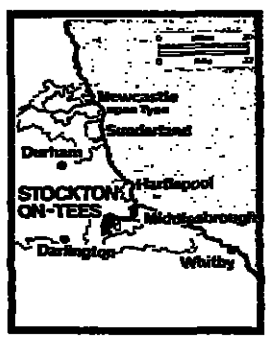
Observer

TEESSIDE 1985

A rainy day in the market place, Stockton-on-Tees — Roger Taylor

A town too proud to let the anger show

By Godfrey Hodgson



FOR 16 years Mr Harold Macmillan of Eton, Balliol and the Grenadier Guards represented Stockton-on-Tees in the House of Commons. Sixty years after becoming its MP, he took his seat in the House of Lords, at the end of February, last year, and commemorated it by taking the title Earl of Stockton. In his maiden speech he repaid a debt of affection to the people of the North-East with poignant eloquence.

"It breaks my heart to see what is happening in our country today," he told his fellow peers. "A terrible strike is being carried on by the best men in the world." And he particularly deplored the "growing division" between the South and the North.

It is not the fashion in the present Government to talk in that strain. A few days ago, Mr Tom King, the Employment Secretary, met Conservatives in the course of a flying visit to Stockton and painted an optimistic picture of the future. He spoke of the new Nissan factory in Sunderland, and of the spin-off that Teesside is enjoying from North Sea oil.

The local Tories were not impressed. "I listened to Tom King," said one veteran Stockton Conservative councillor, "and he said things are encouraging. Well, they are not encouraging."

The facts of unemployment and deindustrialisation in the north of England are sadly familiar. But it is worth looking in some detail at Stockton, not just because of its noble defender, but because it illustrates the impact of recession on the social fabric and the infrastructure of the region, not to mention its psychological and political consequences.

The Government pins its faith in self-help, small business and the entrepreneurial spirit, and the local chamber of commerce reports a healthy growth of small enterprises.

The trouble is that this is nowhere near the scale that will be needed to put Teesside back to work. And there is little tradition of entrepreneurial self-reliance there. The area has the highest proportion of time-served craftsmen of any British industrial area, and they are not afraid of work. But they expect it to be found for them by the great firms that have always provided jobs. And many of those are now gone for good.

When Harold Macmillan was elected member for Stockton in 1924 — as he reminded the Lords — unemployment was 29 per cent. Now, he said, it is 28 per cent. Strictly speaking, that is the number for the county of Cleveland, which includes the boroughs of Middlesbrough and Langbaurgh (including Redcar and its hinterland) as well as Stockton and Hartlepool. According to the Department of Employment's latest figures, unemployment for males in Cleveland is 28.8 per cent, and for all workers it is 23.5 per cent, the highest rate in mainland Britain and close to the figure for Northern Ireland.

There is no difficulty about fleshing out those grim statistics with anecdote and impression. At 9 o'clock in the evening in Stockton the young people who can't afford to go to the discos wait for the young people who can to come out. They then attack them out of sheer envy.

"The industries that made Teesside have gone for good as mass employers," says Mr Bernard Connelly of Teesside Polytechnic, a former steel man and Conservative parliamentary candidate. There were three of them: steel, chemicals and heavy engineering.

Although the British Steel Corporation is not likely to leave Teesside, employment in the area is down from 30,000 in 1959 to 7,400 now. The two giant ICI plants, Billingham, making fertilisers on the outskirts of Stockton on the north bank of the river, and Wilton (petrochemicals and plastics) on the south bank, are still there. And ICI plans to make Teesside a major growth point for biotechnology, including artificial protein for animal and human food. But at ICI, too, employment is down from 27,000 in 1959 to 14,000 and never likely to increase substantially.

The most dramatic contraction has been in heavy engineering. There used to be five major foundries along this short stretch of the river; they have all closed. There were seven shipyards, and only one is left. Mr Jim Cooke, who is branch secretary of the Boilermakers as well as Leader of Stockton Council had 700 members in Stockton; 140 of them are now working abroad.

Most directly, the brunt falls on local government, its services, and its finances. A December 1982 report by the research and intelligence department of Cleveland council estimated the financial impact of the increase in the unemployment rate over the previous two years (from 14 per cent to 20 per cent) at £4.175m.

That does not include the various initiatives the county council took in response to unemployment. And the figures have increased as unemployment has continued to rise by almost another half.

This need for increased expenditure to meet pressing social and individual needs comes at a time when grants from central government have been cut and local government budgets have fallen. In Stockton, according to Councillor Cooke: "We lost 35 per cent of our grant, £1.3m out of £3.5m." The rates have gone up 39 per cent this year, and the borough's budget has been cut from £10m to £9.5m.

Capital spending has suffered most, especially housing. Stockton used to build 500-600 council houses a year. This year it will be building about 48. Councillor Cooke argues that not only ought the council to be spending more on social and community services at a time of unemployment, it ought to be spending on capital projects to reduce the area's disadvantages in comparison with other parts of Britain.

Eventually, no doubt, the infrastructure will suffer from the lack of public money for maintenance. At present, it has to be said that Teesside in general, and Stockton in particular, are still enjoying the benefits of massive public investment in the 1960s and 1970s.

The road system within the area is excellent, with new east-west dual carriageways on both sides of the river and a new high-level bridge to carry the A19 north from Middlebrough to Sunderland.

There is no university, but Teesside Polytechnic has doubled its numbers to 4,000 full-time equivalent students in five years.

There are two big new hospitals, and North Tees General in Stockton can produce performance assessments to show that it ranks as one of the most efficient hospitals in England. Community care, says Mr Brendan Devlin, head of the surgery department, is very good.

New building may be at a standstill, and much sub-standard housing remains. But the majority of Stocktonians live in attractive council estates, and the council has been able to rehabilitate older estates.

The infrastructure may be in comparatively good shape. But that is not to say that Stockton and Teesside do not need more capital investment. "You can't live here," says Sir Maurice Sutherland, a Stockton solicitor, who is the former leader of the Labour majority on Cleveland county council, "and not believe that the region's problems can be solved without spending a lot of money."

In one sense, the relatively high quality of the infrastructure only makes the bleak economic situation more painful. For the new roads, hospitals, schools, and colleges are the outward and visible sign of the North-East's passionate commitment, during the 1950s, the 1960s and into the 1970s, to the building of a New Jerusalem for working people.

It is all very well to say that it turned out that neither the region nor the country could afford this capital expenditure. That only makes the present economic plight even bleaker. And it only deepens the North-East's feeling that it has been abandoned and misunderstood by London and the South.

In part, this is because the North-East's dreams of reconstruction, with a heavy emphasis on the power of central government, were a projection of its predominantly socialist political faith.

"There's a general feeling here," acknowledges Bernard Connelly, "that they don't understand what Margaret Thatcher is trying to do. There is a resentment of the South."

This sense of injustice is widespread. Yet it has produced surprisingly little political radicalism. "We haven't had a Left here as you've had in other parts of the country," says Sir Maurice Sutherland. Boilermaker Jim Cooke's reputation and rhetoric are more radical. Yet the issue he talks about most passionately is subsidising bus fares for old people. The cuts he regrets most are those that have put an end to music festivals and entertainment. "That is dangerous for society," says Coun. Cooke, "when pensioners are left at home."

Some would say, and no doubt Mr Cooke would agree, that it is potentially far more dangerous when young people are left on the streets.

Yet there is no more evidence of a widespread increase in personal violence than of political radicalisation. "Since 1979," says John Macmillan, a criminologist at Teesside Polytechnic, "there has *not* been an escalation of the crime rate." There is "a certain amount of fatalism" among young people who have no prospect of finding anything to do, and who are the children and grandchildren of those whom Harold Macmillan called "the best men in the world."

Stockton is desperate, but it is a quiet desperation. Stockton is angry, but without much hope that things will get better. These are people who are too proud to show how much it hurts.

Lombard

A message from Lubbock, Texas

By Ian Hargreaves

WHERE on earth is Lubbock, Texas? This question is, no doubt, emblazoned on a gift shop T-shirt somewhere in the U.S. If so, the franchisee might like to consider setting up an overseas branch in the UK, ideally somewhere on Millbank, SW1. There is a nice spot on the corner of Page Street, just between the Department of Energy and the Electricity Council.

The idea is not to promote sales of Coors Beer, but to draw the attention of those who run the British electricity industry to the arrangements for electricity supply in Lubbock.

I am indebted for my own education in this matter to Professor Walter Primeaux Jr, who teaches business administration at the University of Illinois at Urbana - Champaign.

Professor Primeaux came across Lubbock in 1968, when he was expostulating to a class about the inevitability of natural monopoly in electricity supply. His class was listening in dutiful silence, when up spake a Texan voice.

"That isn't the way it is in Lubbock, Texas," said the student. Prof Primeaux naturally assumed the lad had got it wrong. There could, after all, be two electric utilities in Lubbock, but they would surely have divided the town down Main Street and set up natural monopolies on each side. Some months of research later, Prof Primeaux was a convert and had discovered that indeed a small number of U.S. cities do have rival electricity supplies.

The professor tells this story in the latest issue of Economic Affairs, the journal of the Institute of Economic Affairs, and goes on to argue from his research that the two standard elements of natural monopoly theory are not borne out.

These two principles state that in a natural monopoly, it will cost more to supply a service with two utilities, because of duplication of infrastructure and that even if there is competition, the effect over time will be that the more efficient operator drives his rival out of business and so re-establishes monopoly.

According to Prof Primeaux's work, operating costs in Lubbock and other competitive markets were found to be lower than in towns served by monopolies.

As for the tendency of natural monopolies to self-destruct, Prof Primeaux suggests, reasonably enough, that anti-trust law is as capable of effective operation in electricity as in any other business.

Actually, we would need to know a good deal more about Lubbock's history and economic structure before raising the flag of the confederacy over Millbank. Prof Primeaux's case is suggestive rather than conclusive.

But it does come as a reminder that the debate which began fitfully two or three years ago about the potential for introducing competition into the UK electricity business has gone awfully quiet of late.

There are a number of reasons for this: City indigestion post-Telecom; energy ministers' pre-occupation with the coal strike, coupled with their natural political caution about privatisation; and the idea that the success of the Central Electricity Generating Board in keeping the lights on during the strike of itself vindicates a centralised, monopolistic structure for electricity supply.

There is also, I think, another reason, to be detected in the Government's recent consultation paper on the future of the nationalised industries.

The main intent of that paper is to tighten up government financial control of the public sector, of which the two most important remaining elements are the gas and electricity industries. In effect, the Government wants to be able to dictate prices, profits and so tax take, in official or unofficial form.

The Treasury's bid to alter the rules of the clandestine Whitehall game on energy pricing in its own favour is understandable enough in the context of the Government's pre-occupation with containing the public sector borrowing requirement

A likely side effect of the move is that it will stifle the impetus for more radical ideas in the two industries. At the very least, the Government should publish in the form of discussion papers some of the research done in the Department of Energy in the last two years on the subject of competition in electricity and gas. Who knows, there may even be a paper on Lubbock.

Letters to the Editor

Engine for expansion

From the Head of Corporate Finance, Ackrill Carr

Sir,—Three things are needed to make the business expansion scheme the engine of economic regeneration and job creation that it was intended to be. Two of these are the removal of abuses of the spirit of the legislation — one is well known, the other has apparently not been picked up by commentators, politicians or even the Inland Revenue. The other is a rule change to ensure the flow of investment funds.

Stamp out relatively risk-free asset-backed schemes — mainly property but also including fine wines. Prevent BES money from going into the pockets of vendor shareholders rather than into the company in which they are supposedly investing. (This is the one which has not been picked up). By issuing renounceable letters of allotment (RLAs) in many BES/OTC issues, vendor shareholders have extracted a substantial part of the proceeds by selling their RLAs to investors who can still claim BES relief if they are the first registered holder of a share certificate. This practice should be eradicated by disallowing relief if any proceeds end up with vendor shareholders.

Care must be taken, however, not to prevent a genuine third party underwriting arrangement where the underwriter, if left with shares for which he must subscribe, takes those shares on an RLA so that the underwriting firm (which in most cases will not qualify for BES relief) can subsequently dispose of the shares to individual investors who can claim therelief. In this type of underwriting arrangement, the company is getting the benefit of the total proceeds.

Change the present rules to avoid the "rush" of BES money concentrated at the end of the tax year. This could be done by allowing a one year carry back of BES relief. Under current rules there is a strong incentive for investors to wait until the last minute before investing and claiming their relief to their investors. The bulk of BES opportunities are therefore all in competition in a very short "window" of time. This leads to distortions in the market and possibly to unwise investment decisions.

Some commentators have questioned the need or validity of the BES. With the above changes the abuses would be removed and the BES would be a genuine incentive to the provision of long term equity finance for small growing companies and start-ups.

Others have suggested that BES relief be extended to USM companies. This would be a highly retrograde step. It would siphon off funds from the genuinely needy new ventures into companies who almost invariably have a well established profits record of three years or more. That investment in USM companies does not need this incentive is evidenced by the high p/e ratios obtaining in many new USM issues.

Stephen J. Ewin,
Tricorn House,
Five Ways, Hagley Road,
Birmingham.

The price of a lunch

From Mr D. Barnes

Sir,—I am an entrepreneur. Three years ago I employed one person; now I employ ten.

My business has survived for three years. Had it been free from bureaucratic interference, I believe it might even have been successful.

Your correspondent's report (March 13) on the intended shake-up in schemes to help small businesses, therefore, causes me to write and ask when and if any Government will ever learn that small businesses do not need schemes. They simply need to be relieved of the bureaucratic burdens with which they are inflicted by local and national government. In short, they just need to be left alone.

In the interests of entrepreneurs everywhere, I wish to announce that I am offering a conducted tour of my office and a free lunch to the first Cabinet Minister to give public acknowledgment to this fact.

David Barnes.
High House,
High Rougham,
Bury St Edmunds,
Suffolk.

Neglected roads

From the Deputy Director-General, Confederation of British Industry

Sir, — Mr Humphrey Wood (March 15) should not worry unnecessarily about the straw men the Government has constructed to knock down the arguments about extra spending on the infrastructure. A large and growing proportion of the Government's own backbenchers understand only too well the need for such spending. That understanding is already shared by some members of the Cabinet and it must surely be only a matter of time before the Chancellor himself acknowledges the need for the additional £300m a year spending on roads which the CBI advocates.

The Government has not neglected spending on road construction but it has not spent the money on the right roads and, in seeking to moderate overall spending, it has mistakenly deferred capital spending rather than cutting back on the current cost of administration and bureaucracy.

Britain has seen a major shift in the pattern of its trade in the past 20 years. Some 60 per cent of our total trade is now with the countries of Western Europe, and nearly 45 per cent with the Eupropean Community. Companies on the Continent have a significant competitive advantage over those in Britain because they have a motorway system which links the main *industrial* areas *with* the ports.

British companies are handicapped by an inadequate road system serving the east coast and Channel ports through which most of our trade with Europe is now routed. In no case is there a continuous motorway or high standard dual-carriageway system linking these ports and our major industrial areas.

Our road network is bedevilled by bottle-necks which waste time and add to transport costs. There is congestion where motorways and dual-carriageways end and become winding two-lane roads. The need in too many places to stop or slow down at road junctions adds to time and fuel costs.

Transport costs in Britain are roughly twice as high as those of our European competitors. As Mr Wood indicates, this is not a subject for one-year funding. The CBI identified 100 specific road projects to be carried out over the next 10 years. If no action is taken and our road system continues to deteriorate, Britain's competitive position will get steadily worse and business and jobs will be lost. I hope the Chancellor and some of his more sceptical Cabinet colleagues will take the time to look at the arguments seriously and take action before that happens.

Kenneth Edwards.
103, New Oxford Street, WC1.

Pensions and taxes

From the Chairman, National Association of Pension Funds

Sir,—Every Chancellor needs to raise money; no Chancellor likes to make the execution too obvious. The huge amount of speculation given to the possibility of levying a tax on pension fund investment income has stressed the apparent case of such an operation and the notion that it will do little harm.

It has to be conceded that, like most honest and straightforward activities, pension funds would be easy to tax. The Inland Revenue has the minutest details of all operations. On the other hand it is totally wishful thinking to believe there is any painless way of confiscating money put aside for and belonging to the old-age pensioners of tomorrow.

To draw attention to above average returns on the last three years and suggest that a "windfall tax" could be levied denies orderly long-term financial management. If my memory serves me right, no one talked about a "storm subsidy" in the mid-1970s when we had three years of negative returns.

Tom Heyes.
12-18, Grosvenor Gardens,
S.W.1.

Illogical and unfair

From Mrs R. Lawrence-Mills

Sir,—Mr Gavin Orr (March 9) describes the tax system in respect of the capital gains tax paid by a married couple as "illogical, and grossly unfair." Indeed it is, Mr Orr! But please don't think it stops there. The whole system in relation to taxation of a woman, particularly the higher paid, is not only all that you say, but totally archaic (and, dare one say, without giving the impression of being a women's libber, chauvenistic, as well).

Her return from her unearned income is grouped with that of her husband, even if she has elected to be separately assessed on her earned income. As a result, where he is more highly paid than she—which is usually the case—the rate of marginal tax attracted is well in excess of that which she would pay if assessed on her own. The whole system, however, smacks of the chattel, when her income has to be declared by her to her husband where it is "unearned" (and there is a misnomer), and also, her tax actually paid by him.

Frankly Mr Orr, it is a wonder that the more highly paid women bother to get motivated at all—and certainly they have little incentive for investment!

I do not imagine, however, that the Chancellor will do much about it, because, sadly, it is not a vote catching topic!

(Mrs) Rowena Lawrence-Mills.
Peart Hall,
Spaxton,
Bridgwater, Somerset.

FINANCIAL TIMES

Tuesday March 19 1985

East Germans and Czechs decide to cultivate the small landholder

Seed of support for private farms

BY LESLIE COLITT IN BERLIN AND DAVID BUCHAN IN LONDON

NEARLY half the eggs consumed in East Germany last year – 3.5bn in total – were laid by non-collectivised, privately-owned hens. After 25 years of "socialist agriculture," East Germany's food supply is more dependent than ever on its small landholders, and its Government has recognised this by paying them more for their produce.

In politically-orthodox Czechoslovakia, there is a resurgence of private plots, whose owners were recently praised for their "beneficial" work by Prime Minister Lubomir Strougal.

Officials in both these highly-centralised economies are at last conceding what some of their counterparts elsewhere in the region had already realised: the long-neglected private agricultural sector fills a vital gap in food supplies and is often more efficient than oversized collective and state farms.

As the table shows, East Germany and Czechoslovakia have hitherto put the tightest squeeze on private farming in Eastern Europe.

Very few East European farms, except in Poland, remain in outright private ownership, but there is widespread allocation of plots to individuals, usually full-time workers in farm collectives, but also industrial workers and pensioners.

Typically, the maximum is half a hectare per household, again except in Poland. Plots may not be bought, sold, inherited or worked with hired help, but may be worked for private profit.

The privately-run sector is strikingly more efficient than state farms and co-operatives where there is a mix of state and private management.

Plotholders in Eastern Europe are particularly successful in labour-intensive cultivation of vegetables and fruit and in the rearing of livestock requiring constant attention. Large-scale grain crops are left to state farms and co-operatives.

The degree to which the private farm sector is more efficient is, of course, affected by whether governments actively encourage private farming, or surround it with suspicion and restriction.

In Hungary and Bulgaria plotholders receive state help with inputs like feed, grain and fertiliser and with marketing their produce.

Romania still frustrates its private farmers' activities. In Poland the Catholic church is trying, albeit in the face of government resistance, to raise Western money to improve equipment on the country's numerous small private farms.

The most significant shift, however, is the official East German and Czechoslovak change of heart towards private farmers. The reason lies in the relatively poor performance of their state farm sectors.

PRIVATE FARMING IN EASTERN EUROPE

	% of total arable farmland	% of total output
Bulgaria	12.9	25
Czechoslovakia	2.8	10
East Germany	5.1	.5-14**
Hungary	12	35
Poland	76.8	79.5
Romania	15*	n/a

Source: National statistics 1981-4.
* % of total farmland
** 5 per cent of crops; 15 per cent of livestock

In both countries, collective – state or co-operative – farms are well above the East European average in productivity, but they fall far short of the yields, not to say quality, achieved in Western Europe.

Before the second world war the fertile lands of present-day East Germany produced consistently higher yields than what is now West Germany. Today the reverse is true.

The main factor has been the "gigantomania" pervading East German and Czech agriculture. Co-operatives have mushroomed, to almost Soviet proportions, some as large as 30,000 hectares, with livestock farms having up to 6,000 cattle.

The artificial separation, in the name of "specialisation," of crops from livestock leads to fuel being wasted in transporting fodder from producer to distant user. Agriculture is East Germany's second biggest user of scarce diesel fuel.

Co-operatives in both countries are also under fire for poor soil management, and the low quality and yields of sugar beet, potatoes, hops and other key crops. The Czechoslovaks, who in 1948 had millions of plum trees to make their beloved slivovitz, now have to import the fruit from Yugoslavia.

The trees were uprooted and never replaced when small farms were turned into collectives in the 1950s. The completion of this process in 1960 turned many small-scale farmers from meat producers to consumers, thereby straining supplies. After steep price rises in 1981, meat consumption fell from 86.6 kilograms per head to 82 kg in 1983.

To plug these gaps the Prague and East Berlin authorities are allowing their private plotholders to expand production. In Czechoslovakia they grow between 30 per cent and 50 per cent of fruit and vegetables, according to Mr Karol Ceresna, the Agriculture Ministry's chief planner in Prague.

In East Germany, on a mere 5.1 per cent of the total farm land, they raise 23 per cent of the fruit crop, 15 per cent of vegetables and virtually all honey, rabbits, geese, ducks, and hard-currency earning mink.

The basic incentive in both countries is higher purchase price for farm produce, though East Germany has increased retail-price subsidies to absorb the impact on consumers.

In Czechoslovakia there are the additional incentives of tax exemption on profit from increased private production and more supplies of cheap fodder to plotholders from the state sector.

In East Germany tillers of the country's 1.3m allotments – a venerable institution dating back to the last century – may now sell directly to state retail shops, instead of just to the state procurement agency.

Before making these changes East German and Czechoslovak officials studied Hungary's mixed farming system, where about 2m small farmers and plotholders raise 70 per cent of the country's potatoes, grow more than half its fruit and vegetables and fatten 60 per cent of its pigs for slaughter.

The big question is whether Soviet officials, who have given Hungarian agriculture equally careful study, will draw equal inspiration from its example.

Hard winter hits East bloc economies, Page 2

W. German exports 'cannot be sustained'

By Peter Bruce in Bonn

THE West German Government is being over-optimistic in forecasting a significant upswing in capital investment and an improvement in the domestic labour market this year, according to one of the country's five leading economic institutes, Kiel University's Institut für Weltwirtschaft.

In a report to be published today, the institute warns that in 1985 economic development will, once again, be mainly supported by exports. Because of risks concerning the exchange rate, mainly with the dollar, and rising threats of protectionism in important markets, "investors do not seem to regard current export profits as sustainable and thus not as a solid basis for investment in new capacities".

Bonn has pinned high hopes on achieving a capital increase of between 6 per cent and 7 per cent this year, which would rival exports as the main economic motor, and also open up new job opportunities.

The Kiel institute maintains, however, that wage settlements last year, combined with the shorter working week won after a major metal workers strike last summer, have made the use of domestic labour "not only more expensive but also less flexible."

"Domestic investment activity will be dampened by the rise of labour costs and by continuing high uncertainty about future economic policy conditions in the Federal Republic," the report says.

Calling for "substantial" tax cuts, the report claims reforms currently in hand will only restore tax brackets to their 1982 levels.

Warning that any investments made would probably be labour saving, rather than helpful in the labour market, the authors also insist that a common view in the Government – that Germany's capital equipment needs replacing anyway – is no guarantee for future investment.

The institute forecasts growth in real gross national product of 2 per cent this year, well down on the Government hopes for 2.5 per cent, although it says growth of between 2.5 per cent and 3 per cent next year might be possible if a relaxation in monetary policiy, tax cuts, and tax breaks for new home building, take hold.

UK Government takes tough line on BL corporate plan

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT, IN BIRMINGHAM

THE BRITISH Government, concerned at the poor profit performance by Austin Rover, BL's volume cars division, has indicated the company should re-examine aspects of its corporate plan.

The informal intervention could lead to Austin Rover slowing down its ambitious programme of product launches and associated capital spending. Components previously made within the company could be bought from outside.

The Department of Trade and Industry (DTI) has stressed to BL that there is no chance of further government aid and that Austin Rover must seek the funds for its future model development from the banks or from joint ventures with companies such as Honda of Japan.

BL which will today announce its 1984 results, is expected to report that Austin Rover suffered a trading loss of more than £10m – a setback after the dramatic turnround in the previous twelve months when a £101m loss was converted into a £2m profit.

The DTI, concerned that both sales and output fell below target, is watching performance closely this year. Questioning over the BL corporate plan, submitted to the department last December, has been vigorous and officials have taken a tough line.

A government decision on the corporate plan is expected after Easter and its officials have stressed the need for Austin Rover to be able to stand alone and generate the profits necessary to justify new investments.

Austin Rover, in considering any delay in capital spending, will be anxious to give priority to the introduction of new technology and to maintaining the momentum of new model launches of recent years.

The key to the company's future is its performance over the next few months in the market place, particularly with recent models such as the Montego aimed at the crucial fleet market. Annual sales of 435,000, which would involve a 19 per cent share of a UK market projected at around 1.76m this year, are considered necessary to enable Austin Rover to start to trade profitably.

The company achieved 19.2 per cent in January and 18.1 per cent in February but only with the aid of incentive schemes which must have hit profitability in a fiercely competitive market.

In the longer-term, Austin Rover must operate at a volume of around 650,000 in order to generate sufficient profit to finance new investment – a position which the corporate plan suggests will not be achieved until 1989.

BL said it had not been asked by the DTI to review its plans for Austin Rover: "As we have not asked the Government for more money we would have thought that our plans were a very sensitive commercial matter for the consideration of the BL board in the running of the business."

Peter Riddell, Political Editor adds: Ministers have also argued for the privatisation of further sections of BL following last year's sale of Jaguar, in particular the early disposal of the Unipart spare parts subsidiary.

European car market, Page 15

London hotel-overbooking fears as tourist tide turns to a flood

BY ARTHUR SANDLES IN LONDON

LONDON has put up the "house full" signs to foreign tour operators as the British capital steels itself for a record summer tourist invasion. There are is even suggestions that some hotels may be overbooked.

More than 3m Americans are expected to come to the UK this year, a flow which has already started in earnest. Trusthouse Forte, the hotel and restaurant group, said: "Last year the season started early. This year it has started even earlier."

THF and its rival Rank both say they have stopped taking large group bookings. The problem might be at its worst in the early summer when the American Bar Association holds its annual convention in London, involving nearly 30,000 people.

For the past three seasons at least, the summer has seen central London's four-star and de luxe hotels running at full or near-full capacity. This summer visitors might have to go well out of London on days when the tourist flow coincides with a surge of local traffic, as is the case in Wimbledon fortnight or during major exhibitions.

"But there are plenty of places around for them to go," said one hotelier helpfully. "Brighton is only an hour away and Gatwick, Hendon and Hatfield are all close by."

THF said that the suggestion that London would be full in the summer was "both true and false. It is true that we are expecting a very, very good year. The bookings are excellent. It is also true that it is most unlikely that we could fit in a larger group. But we are not fully committed.

"The individual traveller, particularly the business traveller, should be able to find accommodation."

Embassy Hotels said that in 1985 "there is more pressure than there has been for seven years."

Embassy said, however: "London is busy, it is never full. There is always space available at some end of the market and somewhere in the city. Full is not a word we would ever choose to use. It is too negative."

One major hotel booking organisation, Utell, has become so worried about the situation that it has set up its own "protected allocation plan" under which it has firm commitments for hotel rooms for its clients, "to protect against potential overbooking."

Overbooking is caused when hotels take more than 100 per cent reservations from tour companies in the knowledge that most tours have a shortfall. If all tours are fully booked, there are problems. At the moment it looks as if U.S. tour companies in particular are seeking more space rather than cutting back.

For the transatlantic traveller, the problem is exacerbated by the current Pan Am airline dispute which is diverting passengers to other airlines, making seats extremely difficult to find on some flights.

The flood is also causing problems at entry points. Huge queues build up at Heathrow airport for immigration when the early morning jets arrive from the U.S. and Australasia. At Gatwick, Londons' other leading airport, the delays tend to be heaviest in the customs area.

Stockholm clears way for foreign banks

By Kevin Done, Nordic Correspondent, in Stockholm

FOREIGN BANKS will be able to set up banking operations in Sweden from early next year according to legislation proposed by the Finance Ministry yesterday.

Among members of the Organisation for Economic Co-operation and Development, only Sweden, Iceland and New Zealand have yet to open their borders to foreign banks.

Sweden has been coming under increasing pressure from other countries for reciprocity, not least from neighbouring Norway which in January granted licences to seven foreign banks to open subsidiaries in Oslo.

In the rest of the Nordic region, foreign banks have been operating in Denmark since 1975 and in Finland since 1982.

According to the Finance Ministry's proposals, foreign banks will have to establish subsidiaries in Sweden; branches of the parent bank will not be permitted. Such subsidiaries will be subject to the same regulations as Swedish-owned banks.

Mr Kjell-Olof Feldt, Finance Minister, said that Swedish and foreign-owned banks would "receive equal treatment as far as possible."

This means that foreign banks must be prepared to operate retail banking activities and accept deposits from the general public.

This demand is expected to have little practical importance, however, and the Finance Ministry accepts that the main thrust of the foreign banks' activities will be towards Swedish companies established abroad and towards foreign companies operating in Sweden.

The Finance Ministry said it expected the arrival of foreign banks "to generate stimulating and positive competition in the Swedish bank market."

No decision has yet been taken on how many foreign banks will initially be allowed entry. The Government has reserved the right to impose some form of quota if the total number of applicants is so large as "seriously to disrupt the Swedish bank market."

There are some 28 representative offices of foreign banks in Sweden, and the ministry expects between 10 and 20 applications to establish full subsidiaries.

Foreign banks will be able to operate in the foreign exchange markets and in securities trading, and will be able to set up branch offices without any additional permit.

Foreign-owned banks will also be able to operate finance companies as a subsidiary, but the Government will be "very restrictive" in allowing the acquisition by foreign banks of shares in Swedish finance companies. Foreign banks will still be prohibited from taking shareholdings in existing Swedish banks.

A minimum equity capital of SKr 25m ($2.6m) has been set for a foreign bank subsidiary, but the bill establishes no upper limit.

The Finance Ministry expects the proposals to become law by July 1. Applications for a licence must be made by October 1 and operations could start in early 1986.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	11	52	Dubrovnik	C	8	46	Malaga	S	17	63	Salzburg	Sn	0	32
Akrotiri	C	17	63	Faro	S	18	64	Malta	S	15	59	Seoul	C	12	54
Algiers	F	14	57	Florence	C	8	46	Manila	S	35	95	Singapore	R	31	88
Amsterdam	S	4	39	Frankfurt	C	0	32	Miami	S	31	88	Stockholm	Sn	-3	27
Athens	S	17	63	Funchal	C	14	57	Milan	C	6	43	Strasbourg	Sn	-1	30
Bahrain	C	28	82	Geneva	C	1	34	Moscow	C	2	36	Sydney	S	25	77
Bangkok	S	35	95	Gibraltar	S	17	63	Munich	Sn	-2	28	Taipei	S	22	72
Barcelona	S	12	54	Guernsey	F	5	41	Nairobi	C	27	81	Tangier	C	15	59
Beirut	C	20	68	Helsinki	S	1	34	Naples	R	6	43	Tehran	—	—	—
Belgrade	F	12	54	H. Kong	C	19	66	New Delhi	S	32	90	Tel Aviv	C	21	70
Berlin	C	2	36	Innsbruck	Sn	0	32	New York	C	16	61	Tenerife	—	—	—
Biarritz	C	5	41	Inverness	F	5	41	Nice	S	12	54	Tokyo	C	17	63
Blackpool	F	7	45	Istanbul	S	16	61	Oporto	R	13	55	Toronto	C	2	36
Bordeaux	S	6	43	Jersey	F	4	39	Oslo	S	2	36	Tunis	C	12	54
Brussels	S	4	39	Jo'burg	F	25	77	Paris	S	5	41	Valencia	F	17	63
Budapest	C	6	43	Las Palmas	C	19	66	Prague	Sn	0	32	Venice	F	7	45
B. Aires	S	26	79	Lima	S	27	81	Reykjavik	S	5	41	Vienna	F	3	37
Cairo	S	30	86	Lisbon	C	15	59	Rio de J'o	C	34	93	Warsaw	C	2	36
Cape Town	C	19	66	Locarno	F	16	58	Rome	F	6	43	Zurich	Sn	-1	30
Caracas	C	28	82	London	S	3	37								
Casablanca	S	16	61	Los Angeles	S	22	72								
Copenhagen	C	-1	30	Luxembourg	S	0	32								
Corfu	F	11	52	Madrid	C	12	54								
Dublin	F	5	41	Majorca	F	12	54								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Lotus delay to hit Apple

APPLE COMPUTERS' plan to penetrate the mainstream office personal computer market will receive a significant setback this week, writes Louise Kehoe in San Francisco. The planned introduction of Jazz, an integrated business programme from Lotus Development, is to be delayed.

Jazz was to have been released on April 1 but will not now be available until May or June.

Jazz is at the centre of Apple's plans to position the Macintosh personal computer as a business machine. The timing of the Jazz introduction is particularly important in view of Apple's current "inventory problems" which have forced the company to shut its production plants for a week.

Ms Jan Lewis, an industry analyst with InfoCorp of Cupertino, California, said: "Apple desperately needs a shot in the arm for its flagging Macintosh sales. The delay will be a major disappointment to the market place and to Apple."

Lotus said that it would make a statement on the availability of Jazz at the end of this week.

Apple might be forced to extend its scheduled one-week production shutdown if Jazz failed to appear in computer retail stores next month, Ms Lewis said. Jazz has been expected to spur new demands for the Apple Macintosh.

THE LEX COLUMN

Grey skies over Johannesburg

A streak of sunlight may have penetrated South Africa's economic gloom yesterday. For once the dollar suffered enough of a setback to make a noticeable difference to the gold price. The contractionary budget which had been universally expected proved, none the less, almost as painful as feared.

To the established torment of 25 per cent interest rates there has been added a general tightening of the fiscal stance. Banks, which are being required to hand over a special levy of ¼ per cent of their deposit base, must be wondering what damage the budgetary changes will have done to their already shaky loan books.

In some ways the banks must be feeling exceptionally hard done by. It seems likely that Standard Chartered and Barclays will between them have to find about half of the R100m that the bank levy is intended to raise – and it will come straight off their attributable profits.

With much higher provisions in the pipeline, along the Californian pattern where loans fall in and the security goes to a discount, the banks may feel that they cannot easily afford it.

For the other financial sector victim – life assurance – there will be less sympathy. Working in a closed financial market, the life companies have had a problem finding places to put their money. Liquidity is almost embarrassingly high and R70m seems the sort of premium that the companies would be willing to pay to stabilise the financial system.

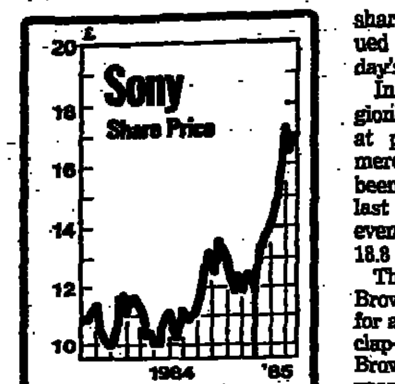
Although the base metal mines may resent being caught up in the surcharging which previously applied only to gold mines, they – like other foreign exchange earners – were sitting targets.

Although the published plan to keep the growth of government spending to less than the inflation rate is not particularly credible, and will give no cheer to industrial companies, at least the bond market gave it a polite reception yesterday. Long yields fell by more than half a point.

Morgan Grenfell

Morgan Grenfell's decision not to go public – yet – is as much an indicator of the bank's sense of timing as of its capital adequacy. Since last May, when Morgan finally admitted its enthusiasm for a listing, the Merchant Banks index has underperformed the FT All-Share index by 17 per cent.

The entry of Deutsche Bank into the picture has complicated matters further. It bought its 4.99 per cent stake last November at about £5 a share, and Morgan might well think it tactless to offer shares around the market at much below that price. But a public issue at £5 would put it on a multiple of around 12 times disclosed earnings per share – pretty demanding these days for a merchant bank.



Morgan anyway claims to have enough capital to see it through without outside help. Without a look at the inner reserves, the claim is hard to test, though disclosed shareholders' funds in yesterday's statement are £173m with loan capital of £70m. The bank wants to inject £40m into its primary dealership, much of which it should be able to find from retained earnings. But without another rights issue, it may have to rein in balance sheet growth to keep capital ratios steady.

Retained profits for 1984 were £15m and would have been higher but for provisions on deferred tax from last year's UK budget. The risk-averse may be encouraged to see two thirds of profit earned through fees rather than lending to marginal countries but should not forget that this commission depends on a strong stock market full of acquisition-hungry companies – a combination that is scarcely guaranteed.

S & N / Matt. Brown

The share prices of Britain's regional brewers are as sensitive as mimosa at the best of times, but Scottish & Newcastle must be thinking that the fates have conspired against its offer for Matthew Brown.

A run-up of 50p in the target's price in the past week stampeded Scottish yesterday, not only into launching its offer, but also into an ill-judged dawn raid that netted brokers Hoare Govett precisely nothing.

Shareholders in Matthew Brown should do not a whit more at this stage. With no cash element in the bid, and a dividend forecast too workaday to support the Scottish share price, their company is valued at 383.6p per share at yesterday's closing.

In these mad days, however, regional brewers do not change hands at prospective exit multiples of merely 17 times. There may have been no mystery individual behind last week's share movement, but even Scottish has said it can pay 18.8 times.

The management of Matthew Brown gives every sign of spoiling for a fight. Aside from any regional clap-trap in the defence, Matthew Brown can show a more solid five-year record than Scottish. This year's earnings will be diluted by Theakston's Old Peculier, but a refurbishment programme and tinkering at Theakston point to better margins.

Scottish can offer the advantage of its greater weight in the free trade for Matthew Brown's Slalom lager and the Theakston brands, but what clearly interests Scottish is its target's strong and distinctive presence in the tied trade in the north-west of England, where Scottish itself is weak.

Indeed, the offer makes such sense for Scottish in the medium and long-term, that it is hard to credit suggestions it may be final.

Sony

Sony's share price recently jumped out of a groove it had traded in for years, picking up a reputation for making repeated mistakes and losing friends.

The revival has something to do with improved trading – though the first quarter net income increase of nearly 15 per cent sets a rather demanding pace for the full year – but it owes a lot to the sway of fashion in the Japanese stock market.

Shares which might have been bought for a touch under 10 times prospective earnings a short while back were trading yesterday at Y4,820, which represents a re-rating to almost 15 times the likely earnings for 1985.

The market thus seems willing to write off the difficulties with Sony's Beta video business, where it is clear that conditions are still worsening rapidly. It remains all too likely that Sony will before long have to follow the unattractive example of Philips, and bite on inventories, which have been rising about twice as fast as sales, and now stand at over Y300m.

Fortunately for Sony sales growth in compact disc players, and growing video sales to China, have made a more vivid impression on investors. That could quickly fade if Beta troubles start to hit the balance sheet, and the interest bill rises again.

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FINANCIAL TIMES
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PROPERTY SALES PULL STEEL AND ENGINEERING GROUP OUT OF RED

Threat to Klöckner-Krupp deal

BY PETER BRUCE IN BONN

THE conservative administration in the West German state of Lower Saxony is now actively blocking the proposed merger of the steel divisions of Klöckner-Werke and Krupp, according to Klöckner's chairman, Herr Herbert Gienow.

He warned that the merger, in which CRA, the Australian raw materials group, is also to take a stake, would fail unless both the federal and Länder governments involved made the necessary closure aids available. Klöckner wants to close its Georgsmarienhütte works in Lower Saxony as part of a combined restructuring plan designed to accompany the merger.

Herr Gienow said Lower Saxony's unwillingness to let the plant close, with the loss of some 1,200 jobs, was the "most serious" problem facing the prospective merger partners, who are asking for official aid worth some DM 350m ($103.5m) to help them restructure. Around a third should normally be paid by the local administration, the rest by Bonn, but the government in Hanover has refused to consider payment.

Salzgitter, the state-owned West German steel, shipbuilding and engineering group, showed net losses of DM 422m ($127m) last year, a 60 per cent improvement on the same period previously. The group predicted that it would probably hold its deficit this year to under DM 100m. Page 28

Klöckner, nevertheless, was going ahead with preparations for the merger, the chairman said. A number of fixed assets surrounding the group's steelworks had been sold to two new and unconsolidated trading companies within the group.

This move, it transpires, also enabled Klöckner to deliver yesterday a balance sheet showing the group had broken even in 1983-84 after a net loss of DM 139.7m a year earlier.

Although Herr Gienow said the group's steel business had, in fact, been trading profitably this year, his finance chief, Herr Karl Sinkovic, said that, the property sales aside, steel had made an operating loss of DM 148m last year, a 60 per cent improvement on 1982-83.

Klöckner's raw steel production rose 5.1 per cent to 4.11m tonnes last year, the chairman said, while total group turnover rose 6.2 per cent to DM 72.5bn. More than DM 2bn of this was accounted for by its mechanical engineering and plastics machinery operations.

Argentine bank to shut down London office

By David Lascelles in London

BANCO de Galicia y Buenos Aires, the Argentinian bank, is to close its London office tomorrow because of poor business resulting from the Falklands war and the economic situation in Latin America.

Mr I. Calonje, the bank's representative, said yesterday that he hoped the closure would be "temporary" and that the bank might return in two or three years.

The bank's directors had hoped to keep the office open in the wake of the Falklands war. Business had not been forthcoming, however, and the bank could not justify the expense of keeping the office open, particularly since economic conditions in Argentina are not good.

The trade embargo between the UK and Argentina is still in effect, and this has reduced opportunities for trade finance.

Banco de Galicia y Buenos Aires is the second Argentinian bank to leave London. The Banco de la Provincia de Buenos Aires shut its office at the end of last year.

Linde lifts dividend to DM 10 and doubles reserve provision

BY JOHN DAVIES IN FRANKFURT

LINDE, the West German engineering and industrial gases group, is increasing its dividend after a strong performance last year.

The dividend, which was held steady at DM 9 ($2.69) a share for five years in succession, is to be lifted to DM 10, which the company described as a post-war record level.

Parent company net profit reached more than DM 57m last year, compared with DM 42.95m in 1983, but group profits have not yet been disclosed.

In addition to paying out DM 36m in dividends, the parent company is putting more than DM 21m into reserves, compared with DM 10.55m the previous year.

Group sales revenue declined 2.6 per cent to DM 2.6bn, but value of work performed was up 7.9 per cent to DM 2.63bn. The inflow of new orders increased by 3.4 per cent to DM 2.5bn.

With wide-ranging activities, Linde has withstood the worst effects of the worldwide recession in large-scale process plant construction in recent years.

Thorn-EMI backs UK film makers

BY RAYMOND SNODDY IN LONDON

THORN EMI, the UK electrical and electronics group, has set up a $175m fund to finance the work of independent film producers.

The scheme, launched by Thorn's Screen Entertainment division and backed by 12 international banks, is the largest of its kind ever set up in the UK. It coincides with Film Year, a promotion designed to revive the habit of cinema-going in the UK and boost British production.

The lead banks for the fund, which will provide loan finance at more favourable rates than those normally obtainable for films, are Guiness Mahon and Hill Samuel. The others involved include Credit Suisse First Boston, European American, Crédit Lyonnais, County Bank and National Westminster.

The aim of the fund is to provide financing for films which Thorn EMI Screen Entertainment wants to distribute. It will be managed by Guiness Mahon and Samuel Montagu.

Mr John Reiss, production finance director of Screen Entertainment, who originated the idea for the fund, declined to comment until the formalities have been completed. It is believed, however, that the new fund will reduce the financing costs of a $10m film by $300,000 to $400,000.

Morgan Grenfell drops plan for listing

By David Lascelles in London

MORGAN GRENFELL, the largest UK merchant bank still in private hands, has decided to defer plans for a public listing on the London Stock Exchange.

Lord Catto, chairman, said yesterday that Morgan had decided it had adequate capital, particularly with the £14m ($15.12m) it received from Deutsche Bank, which bought a 5 per cent stake last year.

The existing shareholders, who include a small number of companies and institutions as well as individuals and members of the founding families, were also satisfied with the present arrangements for trading shares privately among themselves, he said.

Morgan had indicated last year that it might seek a public listing because of the need to raise large amounts of capital to finance its proposed ventures following the revolution in London financial markets.

Morgan is proposing to buy a stockbroking firm, Pember & Boyle, and a stockjobber, Pinchin Denny, for a total of £31m to create a securities business. Mr Christopher Reeves, chief executive, said yesterday that Morgan was still deciding how much capital to put into this venture, but it could be "£40m or more."

Lord Catto revealed the change of heart about the listing in Morgan's annual results, which showed a 24 per cent increase in post-tax profits to £20.4m. The group would have shown a stronger increase but for the effect of last year's budget on the tax treatment of its leasing business.

More than two thirds of Morgan's profits came from fees rather than lending. The bank has developed a reputation for aggression in the fast-growing corporate mergers and acquisitions business

Results, Page 29;
Lex, Page 24

Phillips swap offer attracts 90% of shares

BY WILLIAM HALL IN NEW YORK

HOLDERS of over 90 per cent of Phillips Petroleum's shares have tendered their stock as part of the debt-for-equity swap which the Oklahoma-based oil company offered in its battle to fight off several corporate raiders and retain its independence.

Phillips announced over the weekend that shareholders tendered approximately 133m of the company's 154.6m outstanding shares under the company's exchange offer. Mr T. Boone Pickens, the Texas oil man who had precipitated the takeover battle for Phillips last December, has already agreed to sell his 8.9m shares back to the company for $53 a share cash.

Under the plan, Phillips has accepted 72.58m shares tendered in accordance with its offer and says that it agreed to exchange approximately 54 per cent of the total shares properly tendered before the proration deadline for debt securities. Under the terms of the offer no other shares will be accepted for exchange, and any shares not accepted will be returned.

In practice, this means that a Phillips shareholder tendering 100 shares will exchange 54 shares for a package of securities worth $62 a share and will retain the equivalent of 46 common shares in the company.

On Friday Phillips shares were trading at $49⅛. Yesterday Phillips Petroleum shares resumed trading on a when-distributed basis at $36¾, down $12⅛. The definitive proration factor will be announced on or about March 27, and the company will begin delivering the debt securities as soon as practicable after that. Interest on the securities will begin to accrue from the first day that the securities are issued.

Novo plans shake-up of top management

BY HILARY BARNES IN COPENHAGEN

NOVO, the Danish enzymes and pharmaceuticals manufacturer, announced a reorganisation of its top management functions yesterday.

Mr Mads Olivsen, president and chief executive, said: "We've been planning them for some time." He insisted the changes had no connection with last year's slowdown in Novo's sales and earnings growth.

The purpose of the changes, he said, was to facilitate swift decision-making and further a process of decentralisation of management responsibilities. The company also feels the changes will further its expansion.

The most significant change is that the post of chief executive will become a three-man office, with Mr Olivsen in charge of corporate staff functions, Mr Niels W. Holm as chief operating officer, and Mr Ulrich V. Lassen as chief science officer.

The troika will replace the position held by Mr Olivsen as the single chief executive officer

Divisional executive vice-presidents will report to the office of the chief executive.

Corporate staff functions have also been reorganised. An American, Mr Harry H. Penner, has been brought in as legal and regulatory affairs officer from Novo Laboratories, Wilton, Connecticut. Mr Olivsen said: "It is important that we have got someone of another nationality on board."

Emerson to buy Automatic Switch

By Our New York Staff

EMERSON Electric, the St Louis-based electrical group, has agreed to take over Automatic Switch, a smaller U.S. electrical components group, in a $380m share swap.

Emerson, whose earnings over the last decade have been growing roughly twice as fast as the rest of U.S. manufacturing industry, has agreed to buy each Automatic Switch share for $45 worth of Emerson Electric common shares, based on the average closing price of Emerson shares over a 15-day trading period. The exchange rate will be no greater than 0.6429 nor less than 0.5625 Emerson shares for each Automatic Switch share.

The companies say that Automatic Switch shareholders should receive significantly higher dividends following the merger.

UK brewer rejects £88m takeover bid

By Charles Batchelor in London

MATTHEW BROWN, a brewer based in the north west of England, yesterday rejected an £88m ($96m) all-share bid from Scottish & Newcastle Breweries (S & N).

S & N, Britain's sixth largest brewer, was forced by mounting speculation into launching its bid ahead of today's budget – which may add up to 2p in extra duty to the price of a pint of beer.

S & N is offering 14 of its own shares for every five Matthew Brown shares. At S & N's closing price of 137p yesterday – a fall of 6p on the day – the bid is worth 384p for each Matthew Brown share. This was well below the Matthew Brown share price, which climbed 84p to 407p.

Europrogramme in deficit as debts are quadrupled

BY ALAN FRIEDMAN IN MILAN

EUROPROGRAMME, THE Italian property unit trust which is facing the possibility of liquidation, reported a L25.5bn ($12m) loss for the year to last June, against a profit of L1.9bn.

The losses resulted from a *quadrupling of debts, to L206bn,* and the attendant increased *interest charges.*

The Swiss-based group, which is also under criminal *investigation* by magistrates in Milan and Lugano, *also said its net worth* at the end of the last financial *year had fallen by 20 per cent* to L808bn. This figure is arrived *at after stripping out L200bn of* loans and mortgages on *property* held in Italy.

Sig Orazio Bagnasco, the *Genoa-born financier who built* up Europrogramme, resigned from the fund management arm along with his entire board in January. Allegemeine *Treuhard,* a Balse auditing firm, has been appointed as consultant and could supervise the liquidation of Europrograme *if necessary.*

Time is plainly running out for the unit trust group because the freeze on redemptions granted by the Swiss authorities expires on March 31. Meanwhile, Sig Bagnasco's attempt to secure passage of a law in the Italian parliament which would allow his unit trust to be converted into a quoted Milan bourse company has not yet succeeded.

In a separate development, it was learned that talks have been held between Sig Bagnasco and the Aga Khan regarding the possibility of Sig Bagnasco selling his majority stake in the Ciga luxury hotel chain.

Europrogramme disclosed *that* in the case of a liquidation the 75,000 unit trust holders could expect a return of L92 per share certificate. If the *trust* is allowed to survive, however, Europrogramme admits *that* shareholders wishing redemptions would receive pust L87.6 a *share.*

The latest Europrogramme net valuation of L808bn remains significantly higher than the L754bn net worth established by an independent auditor and announced by Europrogramme in January of this year. But Europrogramme contested the independent valuation.

Angry Europrogramme shareholders have been demanding the redemption of L70bn of shares since last summer. Yesterday Europrogramme revealed that its actual liquidity is only L30.5bn.

Salzgitter cuts loss and sees better year

By Our Bonn Staff

SALZGITTER, the West German state-owned steel, shipbuilding and engineering group, reports a much reduced loss of DM 422m ($125m) for the year ended September, 1984 and predicts a further decline—to around DM 100m—in the deficit for the current year.

Last year's loss compares with a deficit in 1982-83 of DM 712m. Salzgitter last made a profit in 1981-82.

The two major burdens on Salzgitter were once again the Howaldtswerke-Deutsche Werft (HDW) shipyard, which lost DM 129m and its major steel unit, Peine Salzgitter, which lost DM 144m despite a significant increase in steel prices during the latter part of 1983-84.

Both divisions, however, improved markedly on the year earlier.

Nevertheless, Herr Ernst Pieper, the chief executive, said he expected Peine Salzgitter at least to break even this year, if last year's crude steel production of 3.5m tonnes could be *maintained.*

A restructuring programme had *improved* productivity in Salzgitter's steel operations by 20 per cent, he said.

He was less optimistic, however, about HDW, although he said breakeven this year was concievable.

Warning that Salzgitter was still carrying some 5,000 surplus jobs, he nevertheless said the group's restructuring programme would soon begin to make its mark on profit margins. An 11 per cent cut in the workforce was achieved last year, bringing the total workforce down to 45,900.

Sanlam forms holding company

BY JIM JONES IN JOHANNESBURG

SANLAM, South Africa's second largest insurance company, has formed a new holding *company* for its associated companies. The company, to be named Sanlam Investment Corporation (Sankorp), will control companies with total assets in the region of R30bn ($14.7bn) and employing about 400,000 people.

Mr Fred du Plessis, the chairman, says that Sanlam's expansion has necessitated a separation of the control function of the associates and the group's life assurance business.

Many Sanlam associates and subsidiaries have performed particularly poorly in recent years. Federale Mynbou has been affected by considerable losses incurred by companies managed by its subsidiary Gencor; Messina has suffered from the poor results of its Nissan car making *subsidiary;* Abercom has been obliged to *prune loss-making divisions;* and Federale Volksbeleggings *has been hurt* by deteriorating *trading performances* of its *operating* subsidiaries.

Concern over this has led to *the* decision of Mr du Plessis to resign as managing director of Sanlam and to concentrate on improving the associates' profit performances.

Sankorp will take responsibility for ensuring that the various associates have sound management and management succession — a direct reference to Gencor which has been unable to select a chief executive following retirement, last July, of its executive chairman. In addition Sankorp is to ensure *that activities of the companies* it controls are co-ordinated and, *where necessary, rationalised.*

Though Sanlam says that *Sankorp will maintain* a decentralised management style, *Johannesburg analysts* believe that immediate prospects are for much tighter control of the troubled subsidiaries. The analysts also point out that Sanlam's acquisitive appetite has not diminished and that Sankorp could eventually offer shares to the public and thereby generate cash for further acquisitions.

Sankor's initial investment portfolio will be based 44 per cent on mining, 16 per cent on industrial holdings, 15 per cent on financial holdings, 10 per cent transport, 8 per cent electronics, 5 per cent retail and 2 per cent engineering.

VNU raises payout after 50% increase

By Laura Raun in Amsterdam

VNU, the Dutch publishing group, reports net income 50 per cent higher at Fl 52.8m ($13.8m) for 1984 following lower costs and moderate growth in sales. As a result, the dividend is being raised to *Fl 7.80 a share from Fl 6.20.*

Nearly all divisions contri*buted to the improved perform*ance, which included a Fl 7m *provision for start-up* costs VNU's pay-TV activities. A VNU subsidiary and Filmnet, a Dutch-Swedish joint venture, is shortly to launch pay-TV in the Netherlands.

Sales climbed 9.5 per cent to Fl 1.52bn last year, thanks largely to an increase in the business press group in the Netherlands and England.

The company plans a new equity issue soon to help finance its reoragnisation efforts, and expansion. However, VNU still *expects per-share earnings to* grow again this year.

Finnish banks get access to fresh capital sources

BY OLLI VIRTANEN IN HELSINKI

FINNISH BANKS are to be allowed to tap *foreign sources* of equity capital after six years of relying almost entirely on local shareholders.

A law approved by the Finnish parliament raises the maximum foreign ownership in banks from zero to 20 per cent. The decision put the banks on a par with the shareholding *structure of other Finnish com*panies.

Finnish banks welcome the move which increases flexibility *in their foreign operations.* Up till now all foreign transactions *of bank shares have required* special permission from the *Ministry of Finance.*

Dreyfus Opportunity Fund, the *American investment company,* bought 0.6 per cent of *Kansallis Osake Pankki,* a major Finnish bank, equity some two years ago. *Some other foreign investors have also bought into the bank, although the total foreign ownership still remains* under 1 per cent.

Union Bank of Finland *(UBF), plans a complex share* exchange deal with Scandina*vian Banking Partners, a group* which includes Skandinaviska *Enksilda Banken of Sweden,* Bergen Banken of Norway and UBF.

Bank of Helsinki has also *been a target for foreign inves*tors. The Swedish broker *Jacobson & Ponsbach* recently bought 5 per cent of the bank's *equity of FM 147m ($21m).*

MoDo more than doubles 1984 profits

By Kevin Done, Nordic Correspondent, in Stockholm

MODO, one of the leading Swedish forest products groups, more than doubled profits last year. After financial items, they jumped to SKr 791m ($82.4m) from SKr 368m in 1983, while *group* sales increased by 18 per cent to SKr 6.8bn.

The 1984 results were burdened by exchange losses of SKr 252m. But the strength of the dollar also helped to boost pulp division profits which increased operating earnings to SKr 876m from SKr 426m.

Prices for pulp were around 30 per cent higher on average last year measured in Swedish kronor, said MoDo. They weakened significantly towards the end of the year and there is currently over capacity in world pulp markets. Prices have declined further since the turn of the year.

The strong dollar means that the Scandinavian pulp and paper producers are still enjoying a big competitive advantage over their North American rivals, however.

MoDo warned that some production cutbacks in pulp may be necessary later this year. New orders for fine paper are also below last year's level and prices have been weakening since the start of the year. As a result profits for 1985 are expected to be below the level of 1984.

● Bahco, the engineering company, reports a strong surge back into profit for 1984 after a far-reaching rationalisation programme and better market conditions.

The pre-tax result swung *from a loss of* SKr 71m to a SKr 115m profit on 9 per cent higer sales of SKr 2.9bn.

Essilor plans rights issue

BY OUR FINANCIAL STAFF

ESSILOR, the fast growing French optical group *which is* pushing through a major pro*gramme of capital spending,* plans a rights issue.

This was announced yesterday together with details of *another good year for profits.* Up by 50 per cent for 1983, net profits for 1984 have risen by 20 per cent to FFr 220m ($21.3m).

The rights issue is to be a one-for-four. It will increase nominal capital to FFr 157.7m from FFr 126.2m. The shares have been a bourse favourite over the past year, changing hands recently at around FFr 2,970.

Essilor gets about a third of *its turnover from North* America, and is one of several export orientated companies profiting from the strength of the dollar. Sales last year rose by 17 per cent to FFr 2.85bn.

Parent company profits rose from FFr 96.5m to FFr 115.2m for 1984 and the company is holding its dividend at FFr 37.50 a share.

Disposal boosts ISS result

By Hilary Barnes in Copenhagen

ISS, the Danish industrial cleaning and security systems group, increased group net earnings last year to DKr 77.6m ($6.4m) from DKr 63.8m in 1983. The dividend remains at 10 per cent.

The result was boosted by DKr 23.5m of extraordinary income, most of it arising from the sale of a U.S. subsidiary, ISS Central Elevator.

Group sales were DKr 4.7bn almost unchanged from 1983, but after allowing for the dis*posal of Central Elevator there* was a 5 per cent advance, the company says.

The U.S. side remained a disappointment. Subsidiaries in Europe and Brasil made progress, while the parent company had an extremely satisfactory year. Parent company earnings increased from DKr 40.5m to DKr 52.4m.

Credit du Nord strongly ahead

BY DAVID MARSH IN PARIS

CREDIT DU NORD, the French retail bank which was among the larger institutions nation*alised in 1982,* increased net profits to FFr 25.3m ($2.4m) *last year from a comparable* FFr 16.5m in 1983.

The bank has profited over the past few years from capital injections from the Government and its other shareholder, the state-owned Paribas investment group, as part of a bid to improve balance sheet structure.

Reflecting a more favourable pattern of interest rates last year and a relative slowdown in personnel costs, operating profits more than doubled to *FFr 119.8m from FFr 49m.*

Provisions last year come to *FFr 295.1m against* FFr 283.6m the previous year.

The 1983 overall profits figure was boosted by FFr 139m of extraordinary capital gains, caused by transfers of banking participations within the group, which have been excluded from the comparable earnings figure for last year.

*Operating profits before de*preciation and provisions rose 17.1 per cent to FFr 485.5m. M David Dautresme, the chairman, said the results showed the first fruits of the "modernisation" of the bank.

● Credit National plans to tap the Paris bourse for FFr 600m. It is to issue floating rate bonds with a maturity of 10 years and priced at 99.

Hanomag out of the red

By Our Financial Staff

HANOMAG Baumaschinen Produktion und Betrieb, which as Hanomag filed for bankruptcy in February last year, posted a DM 15m ($4.4m) net profit in the *business year April to* December 1984. The company *expects turnover to rise to* between DM 280m and DM 300m *in 1985, against* the DM 165m for the 1984 period.

Hanomag made a loss of over DM 200m in the first 10 months of 1983 before going into receivership in November of that year. It later filed for bankruptcy after IBH Holding, its parent company, had gone bankrupt.

Hanomag was taken over by a group of entrepreneurs, and the company is now producing 1,200 machines a year with a workforce of 800. This compares with annual output of 2,400 units by 2,800 employees before the bankruptcy. The aim is for an increase in workforce to 1,000 by this autumn.

INTL. COMPANIES & FINANCE

First-quarter earnings at Sony show 15% increase

BY ROBERT COTTRELL IN TOKYO

SONY CORPORATION, the Japanese electronics manufacturer, has reported consolidated net income for the three months to January 31 of Y19.83bn ($76.18m), an increase of 14.8 per cent over the same quarter of the previous year. First-quarter sales reached Y387.83bn, a 9.4 per cent increase. Net earnings per share rose from Y75 to Y86, and for the full-year Sony is forecasting a profits total of more than Y75bn against Y71.43bn, on sales of some Y1,400bn compared with Y1,262bn.

The company said the sales increase was attributable to stronger demand for non-consumer video equipment; colour television sets (where sales rose 20.4 per cent); and compact disc players, which helped the audio products register a 21.7 per cent sales gain. Consumer video product demand weakened, however, contributing to a 4.7 per cent decline in overall video equipment sales.

Sony's consolidated sales growth was confined to overseas markets, where revenues rose 14 per cent, to account for 73.6 per cent of total group net sales. Group first-quarter net sales in Japan, however, fell 1.5 per cent year-on-year.

Sony said the higher net profits reflected a higher rate of capacity use, and a lower debt servicing charge.

Broken down by product category, Sony reported first-quarter video equipment sales of Y127.19bn against Y133.44bn; television set sales of Y89.88bn (Y74.62bn); audio equipment sales of Y75.37bn (Y61.95bn); and sales of other products Y45.39bn (Y38.73bn).

Capital investment amounted to Y25bn and went mostly into the semi-conductor area. For the year, Sony plans to invest about Y100bn.

Full Tokyo securities branch for WICO

By Our Tokyo Correspondent

JAPAN'S Ministry of Finance has licensed W. I. Carr Sons and Company (Overseas), the Hong Kong-based stockbrokers, to establish a Tokyo securities branch. WICO, a subsidiary of the British financial services group Exco, becomes the 11th foreign securities firm to receive full branch status in Tokyo.

An MoF branch licence enables a foreign company to participate directly in Japanese securities underwriting, broking, and trading. Non-licensed firms may maintain only a representative office in Tokyo carrying out research and liaison. While no foreign stockhoker has yet bought a full membership of the Tokyo stock exchange, branch-office firms are charged a lower rate of commission than representative-office firms by the stock exchange members who execute their transactions.

WICO maintains a staff of 30 in Tokyo, geared primarily towards investing overseas institutional clients' money in Japanese equities. Its application for branch status has been pending for several months, but appears to have received a boost from a round of market access talks in Tokyo last October between Mr Geoffrey Littler, second permanent secretary to the British Treasury, and Japanese MoF officials.

● Japan is to allow banks and securities houses which are not stock exchange members to trade in bond futures, the Ministry of Finance said.

The Securities Exchange Council recommended the establishment of a bond futures market in the Tokyo Stock Exchange last December and it is expected to open at about the year end, Reuter reports from Tokyo.

Banking and finance boost MUI

BY WONG SULONG IN KUALA LUMPUR

PRE-TAX PROFITS at Malayan United Industries (MUI), the diversified Malaysian group, rose by 12 per cent to 91m ringgit (US$36.5m) for 1984 despite an 11 per cent fall in gross revenues to 300m ringgit.

Profits after tax and minority interests were 6 per cent higher at 45.5m ringgit and the final dividend is 9 cents a share lifting the total from 10 cents to 15 cents.

MUI has grown from a small company making tooth brushes to a major Malaysian group during the past five years.

The banking and finance division contributed over 50 per cent of pre-tax profits compared with 30 per cent in 1983. Contributions from the manufacturing and trading division fell to 25 per cent from 40 per cent. Earnings from property and hotels were stable despite a depressed market.

Pre-tax earnings at the 99.8 per cent-owned Malayan United Bank rose from 12.7m ringgit to 24.6m ringgit, while those of the wholly-owned Malayan United Finance increased from 11.5m ringgit to 23.6m ringgit.

The publicly-listed 77 per cent-owned Malayan United Manufacturing suffered a 40 per cent fall in pre-tax profits to 20.6m ringgit.

With the banking and finance division very much on an expansion trail, MUI directors expect the group "to maintain its track record of increasing profitability"

Oversea-Chinese Banking ahead

BY OUR FINANCIAL STAFF

OVERSEA-CHINESE Banking Corporation (OCBC) one of Singapore's "big four" commercial banks has reported group net profits of S$121.1m (U.S.$53.3m) for 1984, an increase of 6.2 per cent.

The bank alone had earnings of S$96.8m, up 18.3 per cent. In addition to the bank there are almost 50 consolidated subsidiaries in the group, most of them owned outright.

OCBC has declared a dividend of 17 cents, up by one cent.

● Sembawang Shipyard swung to a S$8.5m group after-tax loss in the six months to December, from a S$4.1m profit in 1983's second half. For the full year, the company recorded a S$5.9m loss, compared with a S$9.6m profit, reports AP-DJ from Singapore.

Group turnover for 1984 edged up by 4.9 per cent to S$114.3m. Investment and other income fell by 15.9 per cent to S$7.9m.

Sembawang's 1984 net loss was deepened by a S$1.6m deficit from its associated companies.

The company attributed the loss to the fact that "the recovery in ship repair business experienced in the first half year wasn't sustained in the second half."

Sembawang has cut its dividend to 7.5 cents a share, from 10 cents.

Esso renegotiates Rundle shale oil project deal

BY OUR FINANCIAL STAFF

ESSO EXPLORATION and Production Australia has renegotiated its financial commitment to the Rundle oil shale project in Queensland, on more favourable terms.

Under the new agreement Esso will contribute a further A$42.5m (U.S.$29.2m) towards the project, in addition to the A$122m already spent on evaluation and development and on research into extracting oil from the shale. Under the previous deal with Southern Pacific Petroleum and Central Pacific Minerals—the so-called "Rundle twins"—Esso was to have paid the first A$330m of development costs.

The original agreement had offered Esso the opportunity to withdraw from the Rundle project, the active development of which has been repeatedly postponed by declining oil prices and technical factors.

The company, a subsidiary of Exxon of the U.S., has a 50 per cent stake in Rundle with the "twins" holding the remainder. Esso's remaining concession under the new agreement appears to be an undertaking to assist its partners in funding their share of costs once a decision is taken to go ahead with a commercial shale oil plant.

● The Myer Emporium, one of Australia's leading retailers, has announced net profits up 16 per cent to A$40.5m (US$27.85m) for the six months ended January 27, AP-DJ reports from Melbourne.

The company also announced an increase in its interim dividend to 6 cents a share from 5.5 cents. Sales for the period rose by 19 per cent to A$1.79bn.

Charles Batchelor on why S & N wants to tie up Matthew Brown

Shoring up a structural weakness

Scottish & Newcastle Breweries, number six in the UK beer league, has well-advanced plans to diversify out of the industry—but not just yet.

Before adding a third leg to his drinks and hotels businesses S & N's chief executive, Mr Alick Rankin, plans to remedy what he sees as a "structural shortcoming" of the group's present make-up—its excessive dependence on other people's pubs to sell its beer.

S & N has only 1,446 tied outlets in the UK compared with the 7,000 pubs controlled by each of Allied-Lyons, Bass and Whitbread, the more than 6,000 tied to Watneys and the near 5,000 controlled by Courage.

A major worry for S & N has been the vulnerability of one of its main outlets, working men's clubs, to the decline of heavy manufacturing industry in the North of England.

If a club closes its business is usually taken over by local pubs. And as relatively few of these are in S & N's control the company's sales decline.

Not only would Matthew Brown add 550 pubs to S & N's existing "tied estate," it would add them in the North-West of England and South West Scotland, areas directly adjoining S & N's existing North-Eastern base.

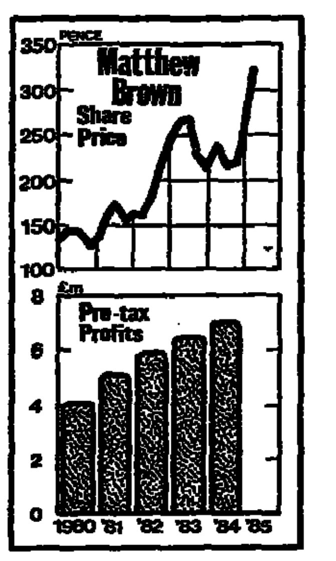
"A merger would give us a balance between our free trade and their tied trade in the North West," said Mr Rankin. "And with our help Matthew Brown could compete with the big brewers in the South."

There would be only limited opportunities for increasing sales of S & N's beers through the Matthew Brown pubs without reducing sales of existing brands. But S & N believes its marketing money can increase the nationwide consumption of Matthew Brown's beers, including the Theakston brands Matthew Brown acquired last year.

"We haev a large sales force which could sell Matthew Brown's brands nationally," said Mr Rankin. "Theakston is already well known and Matthew Brown's other brands will find a ready market throughout the UK. Beer distribution is tough but very profitable if you are in it in a big enough scale and you do it efficiently."

S & N is also keen to establish a stronger presence in the North West, an area which accounts for 15-16 per cent of the UK beer market. The two companies together would take an 11 per cent share of that market but still rank fourth behind some of the other leading national brewers.

This, Mr Rankin believes, is the essential distinction between this bid and S & N's offer last year for J. W. Cameron, the Hartlepool brewery. Cameron would have given S & N a substantial nresence in the North-East of England and might have led to a Monopolies Commission rejection of the bid.



Nationally, S & N accunts for about 9 per cent of the declining UK beer market while Matthew Brown has a modest 1 per cent.

S & N estimates UK beer sales fell by about 1 per cent last year—with half of the decline resulting from the effect of the miners' strike—while a further 1 per cent fall, or at best unchanged levels of sales are expected in 1985.

Efforts to hold down the price of beer are hampered by continued upward pressure on costs. "The biggest problem we have this year is rates," said Mr Rankin. "In some areas the proposed rates increases could add 2p a pint to beer."

S & N's profit performance has improved recently after falling during the early 1980s. It only returned to the 1980 level of profits in 1983 though 1984 saw pre-tax profits jump 34 per cent to £55.2m on turnover 8 per cent higher at £692m. Pre-tax profits rose a further 18 per cent to £37.3m on only marginally higher turnover in the six months ended October 1984.

Matthew Brown has achieved steady profit rises over the past five years, increasing profits by 9 per cent to £7m in the year ended September 1984 on turnover 19 per cent higher at £44.3m.

The regional brewers enjoyed a revival of popularity in the late 1970s as the nation's taste for "real ale" or cask conditioned beer grew. But their stock market image has been tarnished of late by their failure to capitalise on the growing market share of lager.

Lager now accounts for 40 per cent of the UK market. This rapid penetration has been achieved by the advertising muscle of large brewers—lager accounts for 65 per cent of brewers' advertising spending.

The larger brewers have also been better placed to invest in the tanks and equipment needed to produce lager, which has a three-week maturing period compared with about six days for ales.

S and N has a stake in the Harp brand of lager with a near-exclusive franchise to distribute and sell the brand in its region. Changes in the ownership of the Harp operation since the mid-1970s dented the brand's market share and it now ranks only fifth with a 7 per cent market stake, after Skol, Heineken, Carlsberg and Carling Black Label. Matthew Brown brews the Slalom brand of lager.

Mr Rankin sees the bid for Matthew Brown as an essential pre-condition of S & N's broader diversification plan. "If we are devoting a lot of management time to a third leg of business the first two must be soundly-based," he said.

S & N has spent the past year looking at specific areas of business and also at specific geographical regions both in and outside the UK and expects to make its move "in the reasonably visible future."

An earlier attempt to diversify in the early 1970s led to the establishment of S & N's successful Thistle Hotel chain but other acquisitions, including a golf club in France, were less successful.

Despite the glamour attached to the leisure sector S & N is wary. "Leisure can mean high-volume low margin business and this does not appeal," Mr Rankin said.

Systems Designers on target and confident

REPORTING higher profits for 1984 in line with forecasts, the directors of Systems Designers International express confidence that the right operational environment exists for overall growth to continue in the current year, and say they remain optimistic.

This computer consultancy group enters the year with four profitable UK trading divisions in the defence, financial, industrial and communications markets, and rapidly expanding operations in Europe and the U.S.

During the second half of 1984 Designs acquired the Systems Programming Holdings group in exchange for shares, and this consolidated the customer base in Europe. Last month it took over Warrington Associates of the U.S., again for shares, thereby achieving a significant step in its strategic plan to become a leading systems consultancy with worldwide coverage.

For the time being Warrington will operate autonomously but within the Designs control mechanisms which are already being implemented.

Including the results of Programming for both periods, the 1984 turnover rose from £24.19m to £29.54m and the profit before tax from £2.1m to £2.94m—some £2.9m was forecast on a turnover of £29.2m. The original design group contributed £2.27m (£1.55m) to profit.

The final dividend is the promised 1.2p to make 1.7p net for the year, compared with 1.2p after adjustment for the subdivision. There is also a four-for-one scrip issue to be made in May. After tax £982,000 (£610,000) earnings are shown at 12.6p (9.8p) per share.

Comparative 1983 figures for Programming are those referred to in the June merger document. In the consolidated report and accounts the directors will include the results of Programming from January 1 1984 and restate the 1983 comparatives accordingly.

Results of Programming will include an adjustment which increases the 1983 profit by some £500,000 as a result of a substantial provision being required at end 1982. This brings the accounting policies in line with those of Designers.

The financial effects of the merger with Warrington, based on its adjusted profits for the year ended October 31 1984, and converted at $1.106 to the pound, show that group turnover would be pushed up to £45m and profit before tax to £5.84m.

No adjustment has been made for any interest or new income earned on the additional net cash of £6.4m raised from last month's rights issue.

● comment

The most remarkable aspect of these results from Systems Designers is the way the group has got to grips with its June acquisition of Systems Programming Holdings. Net margins at SPH have leapt from a pre-acquisition 3 per cent to 8.5 per cent in the second half. If all goes well, there is scope for further improvement in the current year since Systems Designers' own margins for the year were still higher at 12.5 per cent. With SPH came a quick entry into Continental markets—now the group's attention is focussed on expanding in the U.S. using the as a vehicle. While the comrecent acquisition, Warrington, as a vehicle. While the company is moving ahead cautiously with Warrington—it is to operate autonomously for the moment—the potential in taking even a small share of the American market must be vast. These prospects go a long way to explaining with the market has an apparently insatiable appetite for Systems Designers' shares, having absorbed an 82 per cent increase in the equity capital over the past year. The shares, up 15p to 550p, do not look overvalued: on £8½m pre-tax for the current year and a 36 per cent tax charge they trade on a multiple of 23.

KCA Drilling

DEEPENING LOSSES in drill sip operations more than offset an improvement in KCA Drilling Group's platform and land drilling activities in 1984. The result was a fall in taxable profits from £6.72m to £2.52m.

The directors say, however, that the market for such vesels as the group's Polly Bristol drillship has improved markedly at the beginning of the current year, and it has returned to profitable day rates.

The final dividend is held at 1.5p, but the overall total of 2p reflects the 1p reduction in the interim payment. KCA is a 79.83 per cent owned subsidiary of Rosshold.

Petrocon leaps to near £2m

MERGING the rental tool operations with those of Drilling Tools Holdings and increasing the North Sea exploration and development drilling by almost 40 per cent, have enabled Petrocon Group to lift its profit by some 160 per cent in 1984.

At the pre-tax level it has advanced from £704,000 to £1.83m, with subsidiaries contributing £1.64m, against £705,000, and a turnorund from break even to a profit of £195,000 in the associates. Shareholders' dividend is raised by 1.5p to 5.25p net, the final being 3.5p.

Turnover of the group—which supplies services and equipment to the oil, petrochemical and process industries — rose by £3.81m to nearly £12m. As regards the current year, the directors says there has been a good start. Provided the present level of investment in exploration and production continues, they are confident that further progress will be made.

Petrocon Drilling Tools, the combination of the two rental businesses, increased its contribution to profits. The supply companies produced profits in line with the previous year, while the engineering division has expected expectations.

In South East Asia, Swire Petrocon found that the acquisition of the United Oilfields Group did not improve its position in the market place. In contrast, the market in West Africa is much more stable, and Wasco is seeing the benefits of the expansion programme.

After tax £603,000 (£259,000) the net profit for 1984 came out at £1.23m (£445,000) for earnings of 20.18p (7.54p) per share.

● comment

Petrocon Group looks a good way for investors to back the current surge of exploration and development activity in the North Sea. The acquisition of Drilling Tool Holdings has expanded the company's position in the tool rental market at just the right time. There is every sign that last year's increase in drilling will continue into the current year, particularly if today's Budget gives the oil companies any extra incentives. Given these prospects, the shares, down 2p to 202p, look cheap — on pre-tax profits of £2.25m and a 36 per cent tax charge, they change hands on a multiple of just 8½. Clearly, there are risks in backing a company with a rather patchy profits record operating in a very volatile market. And the overseas associates work in very difficult conditions in West Africa and South-East Asia. But even after taking these factors into account a higher rating looks more appropriate.

Ward White extends Foster Bros. offer

Ward White, the Northamptonshire-based shoe retailer, has extended its £97m offer for Foster Brothers Clothing until this Thursday, while it considers its position in the wake of last week's £114m agreed bid for Foster Brothers from Sears Holdings.

By the first closing date of its offer, last Friday, Ward White's bid had been accepted by the holders of just 0.16 per cent of Foster Brothers issued ordinary shares. The company already held 1 per cent of Foster Brothers' shares.

The Government announced yesterday that it had decided not to refer Ward White's bid to the Monopolies Commission. It has yet to decide on that from Sears.

LADBROKE INDEX
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989-993 (−9)
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BET wins Initial's backing for £170m bid

By Lionel Barber

British Electric Traction, the laundry, transport and construction group, has won the backing of Initial, Britain's largest laundries company for its revised takeover bid.

Last month, BET launched a revised bid worth £170m for the 58 per cent of shares in Initial it does not already hold. The move came just 20 minutes after it received clearance from the Monopolies Commission. The first response from Initial's independent directors was lukewarm, but yesterday, in a joint statement, the two companies said they had reached agreement.

The statement included a pre-tax profits forecast from BET of not less than £10m and a final dividend of 11.25p per share, making a total dividend for the year of 14p per share. Initial included a full year pre-tax profits forecast of not less than £30m.

Mr Michael Walker, Initial's company secretary, said: "We were waiting for BET's profits forecast and dividend. We now think the offer is acceptable."

BET's offer is 14 of its own deferred ordinary shares plus £13.50 in cash for every 10 Initial ordinary shares. The offer is worth 536p a share on the basis of BET's closing price last night of 287p, down 5p on Tuesday. Initial closed at 525p, down 5p.

BET's offer of 100p in cash for each 5.95 per cent cumulative preference share of Initial is also recommended by the independent directors.

Under the revised offer, BET has added a loan note alternative to the cash part of the bid. It has also added a "mix and match" facility which allows Initial shareholders to swap the proportion of cash and shares they receive within the same original limits.

BET has stalked Initial since last May when it launched a £167m bid to increase its long standing 40.7 per cent stake in the company to full control. It was forced to raise its first bid to £175m before the takeover was referred by Norman Tebbit, the Trade and Industry Secretary, to the Monopolies Commission.

BET will merge its wholly-owned laundry subsidiary, Advance, with Initial to produce a company with an annual turnover of £270m — some of its overseas; a 25 per cent stake in the maintenance market and 30 per cent in laundries.

Needlers

Pre-tax profits of Needlers, the confectioner, jumped from £190,000 to £437,000 in 1984 with some £260,000 accruing in the second six months. Owing to a typographical error the second half profit was incorrect in Friday's edition.

* * *

Plessey has bought Ameeco (Hydrospace), a company specialising in the design and manufacture of towed assay sonar systems, for about £2.5m.

Ameeco will operate in association with Plessey Marine, which is a leading company in the development of underwater defence systems.

* * *

A group representing the senior management of Continental Wine Experts has purchased the capital of the company. Based near Norwich, CWE is a leading UK manufacturer and distributor of home wine-making kits. It has over 140 employees, and sales for the year will pass £8m.

The buy-out was funded by a consortium of institutional investors and Business Expansion Scheme funds, and was led by Development Capital Group, a subsidiary of Lazard Brothers. Lloyds Bank International advised the vendors.

Cape unveils capital reorganisation plans and £9.5m cash call

BY ALEXANDER NICOLL

Cape Industries, the building products and contracting group which has been eliminating loss-making activities, yesterday unveiled long-awaited plans for a complex capital reorganisation, including a £9.5m rights issue.

Charter Consolidated, the mining and industrial investment group, will take up its rights and maintain a 67 per cent shareholdng. It will also appoint a new chairman and manging director for Cape.

Cape suffered a steep drop in profits in 1980 and 1981 due to a slump in demand amid adverse publicity surrounding its asbestos products. Last year its troubles deepened, and it withdrew from the inulation business. This year, it has agreed to sell its motor products division to BBA Group.

Cape forecast yesterday that pre-tax losses for the 15 months ending March 31 1985 will total £4.5m, compared with a profit of £4.88m in the 12 months of 1983. Its continuing activities, however, are estimated to have had a £6.6m operating profit in the latest 15-month period, compared with a £6.4m profit in 1983.

The real damage to the company's balance sheet was done by disposals and closures, which are expected to result in an extraordinary charge totalling £32m for the 15-month period. With tax and minorities taking about £1m, the total attributable net loss for the period will be about £37.5m.

Next month Mr Jeffrey Herbert, managing director of General Electric Company's Paxman Diesels subsidiary, will join Charter Consolidated as an executive director, as part of a drive to increase top-level industrial management experience at Charter following its recent experiences with Cape and Johnson Matthey.

Mr Herbert, 42, will succeed Mr Geoffrey Higham as non-executive chairman of Cape. Mr Higham, also a Charter director, is chairman of its Anderson Strathclyde subsidiary. A new managing director for Cape will be recruited to replace Mr William Doughty, who left the company last September.

Cape will issue 10m 8.4 per cent £1 convertible preference shares, to which shareholders may subscribe at one for every three ordinary shares held. Those not taken up by Charter have been provisionally placed by Kleinwort Benson and Williams de Broe Hill Chaplin. The new shares will be convertible between 1986 and 1995 at 227 ordinary shares for every 100 convertibles, giving a conversion price of 44p.

Ordinary shares issued on conversion would total about 43 per cent of the expanded capital. Cape shares rose 3p to 44p yesterday.

The company's losses will produce a £15.5m deficit on distributable reserves, and it therefore plans to cancel the share premium account, also at about £15.5m. The company will repay debentures totalling £2.5m, and convert £3.5m of loan stock into debentures with a 10 per cent coupon instead of 7½ per cent.

Borrowings now total about £37m. Subject to completion of successive stages of the £13.75m deal with BBA, they will be replaced by new facilities and are intended to fall to about 70 per cent of shareholders' funds following the sale of a Watford factory site and its London headquarters, expected to bring in £4.25m.

Sale Tilney up 45% and sees 'vigorous expansion'

THE "HANDSOME" profit increase forecast by Sale Tilney for the year ended November 30, 1984 turns out to be 44.5 per cent. Along with this, the dividend is lifted by 3.5p, there is a two-for-one scrip issue, and "vigorous expansion" is expected in the current and future years.

Turnover of the group, which is split into industrial, food and financial services divisions, moved ahead from £60.63m to £71.14m, and the profit before tax came to £3.1m, compared with £2.15m.

● comment

Before a relatively small industrial holding company joins today's fashionable clique of highly rated conglomerates it has to clear a couple of hurdles. It has to show the ability to manage what it already owns and then prove it can buy wisely and make its acquisitions work. Sale Tilney has ambitions to elevate its rating and these figures—perhaps at long last—are a pretty convincing score on the first count. Every division has shown impressive growth which, inevitably, raises the question of whether it was a freak year. But the company remains confident it can keep it up. A £1.9m extraordinary charge below the line admittedly drives a cart and horses through retained profits but moving the pasta business from Glasgow should substantially improve margins while the void in Scotland's factory can be filled with a new venture. Sale Tilney is manufacturing extrusion moulded breakfast cereals. It sounds disgusting but evidently the end product is no worse (it is argued that it is better) than traditional processes and the retailers are confident. It should underpin growth for the food division for a couple of years. Add that to the high hopes for engineering and a p/e of 10¼ at 508p, up 33p, looks undemanding, even if the company is yet to prove itself as a high-flyer.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Cambridge Electronic ...	4.93	May 14	4.2	7	6
IoM Enterprises	4.5	—	4.5	4.5	4.5
KCA Drilling	1.5	—	1.5	2	3
Metalrax	1.6	—	1.45*	2.27	2.06*
Petrocon	3.5	—	2.5	5.25	3.75
Petranol	1	—	—	1	—
Pittard	4.05	May 8	3.13	5.5	4.5
Prestwich ....int	0.35	Apr 30	nil	—	0.7
Systems Designers	1.2†	—	0.8	1.7	1.2
Sale Tilney	8.5	May 31	6.25	14	10.5

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock.

UK COMPANY NEWS

Morgan Grenfell profits jump 24%

Morgan Grenfell Holdings, the unquoted banking and financial services group, achieved a further significant increase in disclosed profits in 1984.

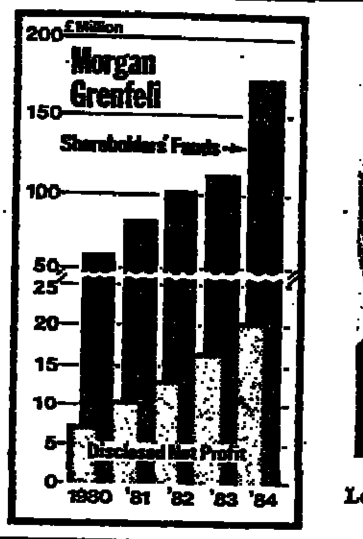
Profits, after tax and transfers to inner reserves, climbed from £16.48m to a record £20.41m—a rise of 23.8 per cent. Underlying profits increased by some 37 per cent over those for 1983.

Lord Catto, the chairman, says a change in the basis of accounting for deferred tax and a substantial increase in the issued equity capital to finance the future development of the group's securities business, resulted in a smaller increase in disclosed profits and earnings per share than would otherwise have been the case.

Disclosed earnings per £1 share are stated up from 35.8p to 41.7p. A final dividend, as forecast, of 5.5p raises the total from 6.6p to 8.5p. Disclosed net assets per share were 315p at the year end, against 242p previously.

Despite some improvement in the position of countries experiencing payment difficulties, the company continues to take a prudent view of the value of its modest loan exposure, says Lord Catto. The company has accordingly maintained the level of its provisions in currency terms, notwithstanding exchange rate movements during the period.

As indicated at the time of last year's £45m rights issue, the accounts show an extraordinary charge of £10.42m. This has been made in respect of the value of the group's investment in leases, whose terms provided for renegotiation of rentals to reflect the lower corporation tax rates introduced by the Finance Act 1984.




Lord Catto, the chairman of Morgan Grenfell

Shareholders' funds increased in 1984 from £115.53m to £173.51m and will rise by a further £18.33m when the second instalment of the rights is received on April 17.

During the year, balance sheet footings rose from £3.16bn to £3.94bn — some £400m of the increase was attributable to the rise in the value of the U.S. dollar against sterling.

Advances, loans and assets held for leasing increased from £1.13bn to £1.38bn, of which £722m (£578m) was represented by loan guaranteed by the Government.

The group's corporate finance division continued to expand substantially and achieved another record year, in terms both of the value and number of transactions completed and its market share. The division advised on 67 mergers and acquisitions with a total value of £4.4bn. There was further growth in the number and range of international and cross-border transactions.

The domestic banking division had a successful year in all main areas of activity, in spite of highly competitive market conditions. Advances to corporate clients each stood at record year end levels and fee income showed a satisfactory increase.

In the treasury division, there was considerable activity in both domestic and international money markets. Dealing in short-term money market instruments and activity in the long-term forward sterling/dollar foreign exchange market were particular features.

International banking operations developed strongly, with increased volume and range of specialist finance and advisory services in a growing number of countries. Morgan Grenfell Energy Services had an active year, while the Export and Contractor Finance Department made particular progress in developing new funding techniques, security packages and multinational export credit structures.

The international capital markets division acted as lead or co-lead manager in 25 issues and was a co-manager of a further 231. Issues in which the bank was a manager amounted to $30.5bn ($9.6bn).

On the investment side, total funds under management by group companies in the UK now exceed £9bn (equivalent). At the year end, Morgan Grenfell Investment Services, which manages international funds for U.S. pension plans, had in excess of $1bn under management for more than 50 clients.

Overseas subsidiaries made continued progress.

See Lex

Prestwich lifted by Palan acquisition

Prestwich Holdings, engineering and optical goods group, announced pre-tax profits up 230.9 per cent to £424,435 in the six months to December 31, 1984, against £128,264.

The company, formerly Prestwich Parker, attributes the increase largely to a contribution from Palan Entertainment, which the group acquired in September 1984. Palan is engaged in acquiring and distributing media rights, mainly for film and television.

The board says: "This acquisition has been an outstanding success with profits being earned at a rate far in excess of that originally envisaged." Palan contributed £313,998 to group profits in the half year.

The outlook for the second half is described as most encouraging with a further advance in profits envisaged and total dividends paid to shareholders expected to show significant increase on the full year dividend of 0.7p to June 30, 1984.

Turnover was up at £4.34m (£3.1m). Earnings per share were quoted at 4.83p (2.91p) and an interim dividend of 0.35p will be paid, the first interim since 1980.

The company says costs associated with the decision to restructure its Manchester-based Henlys Optical Group have led to a lower than normal contribution to profits from that sector. There were also costs associated with establishing three new practices.

Henlys' trading in the current half is at an encouraging level.

Pittard boosted by $ and better trading conditions

A COMBINATION of improved trading conditions and favourable exchange rates enabled the Pittard Group, leather manufacturers, to lift its 1984 pre-tax profits from £1.21m to £2.21m.

And, with a strong current order book and prospects of further profits growth during 1985, the directors are raising the dividend by 1p to 5.5p net by an increased final of 4.05p.

Demand for leather products increased strongly in most markets following a general improvement in western economies. However, as raw hides and skins are basically a commodity, this led to significant increases in their costs internationally and dependent on their type prices rose by up to 50 per cent during the course of the year.

The strengthening of the U.S. dollar against sterling was beneficial to the group overall. Although some 50 per cent of its raw material is purchased from abroad in dollars the benefit to its export sales was significant. In addition, the stronger dollar had the effect of making imported leathers and leather products less competitive in the UK.

Group turnover for 1984 advanced from £25.21m to £34.83m, of which exports accounted for 44 (38) per cent. Exports at £15.19m (£9.52m) increased in value by 59 per cent, particularly those to North America, but also to the Far East, France, Germany and Scandinavia.

Pre-tax profits were struck after taking account of depreciation of £288,000 (£278,000) and interest charges of £549,000 (£448,000).

Tax accounted for £372,000 (£258,000) to leave available profits at £1.84m (£952,000), equal to earnings of 24p (11.9p) per 25p share.

Apart from improved trading conditions and the strong dollar the directors' policy of product innovation was fundamental to the group's performance recovery. New products have been and continue to be designed for each fashion or sports season, generating both increased demand and better margins. Over the past three years the group's sales volumes have increased by 43 per cent.

However, despite an increase in margins to 6.3 (4.8) per cent in 1984 the directors say they are still "insufficient for the investment, efforts and risks in this business."

Currently, the group's order book is strong and as far as can be seen 1985 should show further growth in both sales and profitability.

The directors believe that any rise in the pound would have to be "quite material" to have any adverse effect on the group's export performance.

In accordance with a long-standing policy Mr N. F. Wood will be retiring as chairman at the AGM but will remain a non-executive director. Mr D. C. Macdonald will be appointed non-executive chairman.

● comment

The benefit of the strong dollar on exports to North America, more than compensated for the sharp increase in raw material costs for Pittard Group in the year to December. Pittard does not manufacture finished products but is one of the largest suppliers of leather to the UK market. It adds value to its leather through meeting tight specifications for customers including the MoD to whom it supplies leather uppers for the "British soldier's boot." It is increasing its supply of leather for golf gloves and developing a leather for ski gloves which is water resistant and remains soft when dry. Margins have improved from 4.8 per cent to 6.3 per cent, a step in the right direction, but outgoing chairman Neil Wood said that the group is aiming for 10 per cent. With production capacity fully utilised the group may decide later this year to build a new heavy leather tannery at a possible cost of £2m to £3m. Pittard has a strong order book and should have another good year, making pre-tax profits of perhaps £2.7m, even if the dollar does begin to weaken against the pound. The exchange rate could start biting at around $1.40. The shares rose 8p yesterday to close at 116p, giving a 6.9 per cent yield and a modest prospective p/e of 5 on a nominal 40 per cent tax charge.

Renishaw

Renishaw, USM-quoted precision metrology and inspection equipment manufacturer, achieved increased pre-tax profits of £1.92m for the half year ended December 31 1984, compared with £1.12m.

The directors have announced an interim dividend of 0.6p (0.5p). Stated net earnings per 5p share are shown up at 3.95p (2.35p).

On turnover ahead at £6.74m (£3.83m), an operating profit of £1.83m (£1.2m) was made.

Morris Fine Arts beats forecast with £755,000

William Morris Fine Arts, sculpture casting and wallpaper manufacturers, produced pre-tax profits of £755,000 for the year to December 31 1984, exceeding the £700,000 profit forecast at the time of the company's USM flotation in April 1984.

There are no comparable figures, but pre-tax profits of Morris' component companies, Peterlee Wallpaper and Morris Singer, were £503,000 on turnover of £3.63m, in the year to December 31, 1983.

Turnover in 1984 was £5.29m. Extraordinary items were £263,000, including £117,000 relating to the acquisition of the Morris Singer Foundry and £22,000 relating to the acquisition of the wallcovering division of Leyland Paint & Wallpaper.

Mr Trevor Barker, chairman, says the acquisition of Leyland in December 1984 had little impact on the year's results.

A number of new products will be launched in May 1985 for the combined wallcovering business, which Mr Barker hopes will maintain the company's market position over a wider range of products than in the past.

IoM Enterprises

Pre-tax profits of Isle of Man Enterprises, operator of holiday accommodation, fell from £118,312 to £90,704 for the year to October 31 1984, on a lower turnover of £418,985, against £448,684.

Market changes force cut in EPS profit forecast

BECAUSE OF adverse market conditions, Entertainment Production Services is revising its profit forecast. When it came to the USM last July a profit of some £475,000 was expected in respect of the year ending April 30 1985; now the directors are anticipating only some £200,000.

They consider that current trading is satisfactory and that margins have improved, although this has taken longer than expected to achieve. They still intend to pay the forecast 2.25p dividend.

EPS leases pre-recorded video tapes and markets blank magnetic recording tapes for audio, video and home computer use. Following entry to the USM it increased its video film library but, contrary to past experience, met resistance to fixed price contracts.

For the nine months to January 31 total revenue was within £40,000 of that forecast, but the average earnings per film were significantly below those anticipated and margins were adversely affected.

Reporting figures for the first half, to October 31 1984, the directors say that turnover moved up to £1.5m, from £1.4m, but profit fel from £174,000 to £45,000. There is no tax charge and earnings are left at 0.63p (2.44p).

COMPANY NEWS IN BRIEF

Net asse tvalue per 25p share of the Law Debenture Corporation increased from 161.5p to 198p in 1984. Earnings per share rose from 5.52p to 6.87p and the final dividend is 3.25p net for a total payment of 5.5p (4.75p).

Revenue for the year advanced from £2.06m to £2.48m, before tax of £905,000 (£794,000).

* * *

Pre-tax profits of Pifco Holdings, maker of electrical applianes, dropped from £501,000 to £478,000 for the six months to October 31, 1984, and the second half to date has been difficult.

The board says the disappointing figures continue to reflect pressure on sales and margins in the small appliance industry. The company is actively exploring various acquisition opportunities following the withdrawal of its offer to purchase Swan Housewares from BSR.

The interim dividend is unchanged at 1.76p net. Tax took £192,000 (£201,000).

* * *

Pre-tax profits moved ahead slightly, from £2.58m to £2.69m at George Oliver (Footwear) for 1984.

The final dividend is lifted from 5.55p to 6.4p per share, making a total of 8p against 7p. Stated net earnings per 25p share were lower at 33.59p against 36.46p.

* * *

PRE-TAX PROFITS at Macallan-Glenlivet, a distiller of malt whisky, moved ahead by 11 per cent from £671,000 to £745,000, on turnover of £4.75m, an increase of nearly 21 per cent from £3.93m, in 1984.

The final dividend is 1.9p to make a total of 2.9p, compared with 2.63p.

* * *

The Bolton Textile Mill Company saw its pre-tax profits slump from £158,000 to £98,000 for the half-year to end-October 1984.

Included in the group's result are profits of £191,000 from the companies which are continuing to trade, and losses of £93,000 from those which has ceased trading.

* * *

Cullen's, the stores group taken over last December after a three-way bid battle, yesterday announced plans to sell 28 off-licences and its wines and spirits warehouse in Battersea, London.

Reorganisation will eventually convert Cullen's into a chain of early opening, late closing convenience stores. The sale of the off-licences — Cullen's operates a total of nearly 100 up-market stores in the South-East — was consistent with the strategy. The group will continue to sell wine in grocery shops and convenience stores.

* * *

Expamet International has purchased the pure metals fabrication products division of Murex for £700,000 cash.

* * *

McLeod Russel has acquired T. & R. Williamson, a specialised paint maker, for £960,000. Net assets of Williamson at December 31 1983, including freehold properties professionally valued in June 1984, were £1.1m.

* * *

Britannia Arrow has sold the whole of its 10.8 per cent stake in London Trust, the investment trust now discussing a switch of management to the U.S. investment bank Hambrecht and Quist, which would transform it into a venture capital investor.

* * *

The agreed offer by Technology Inc of the U.S. for Butterfield-Harvey, the maker of Shelvoke dustcarts, has been accepted by the holders of 68.1 per cent of the ordinary shares and has been declared unconditional.

* * *

Pre-tax profits of Fife Indmar, light and general engineer, improved from £703,000 to £751,000 in 1984. A final dividend of 5.5p lifts the net total by 0.4p to 7p. A one-for-one scrip is also proposed.

* * *

For the half-year to end-December 1984, Coin Industries increased its pre-tax profits from £230,000 to £248,000 on turnover ahead by £1.18m at £5.76m.

A same-again 1.1p interim dividend is being paid. Last year a total payment of 3.3p was made on taxable profits of £776,000. Earnings for this half were shown up at 1.17p (0.92p) net per 10p share.

* * *

Taxable profits at J. Hewitt And Son were nearly halved from £1.03m to £540,822 in the year to December 31, 1984.

Final dividend is being cut from 3p to 2p, making a total of 2.4p against last year's final of 3.6p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Barratt Developments, Paterson Zochonis, Star Computer, V. W. Thermax.

Finals: Automotive Products, BL, Boddingtons Breweries, Horizon Travel, Laing Properties, McLaughlin and Harvey, New England Properties, Nineteen Twenty-Eight Investment Trust, Robinson Brothers (Ryders Green), Watmoughs.

FUTURE DATES

Interims—	
Attwoods	Mar 28
Grosvenor Group	Mar 20
Halstead (James)	Mar 28
Park Place Investments	Mar 21
TSW—Television South West	Mar 25
Walker and Homer	Apr 1
Finals—	
Alexandra Workwear	Apr 2
American Trust	Mar 26
Arcolectric	Apr 2
Ayrshire Metal Products	Apr 10
Bemrose	Mar 26
Bridon	Mar 28
British Aerospace	Mar 26
Crowther (John Edward)	Mar 22
Empire Stores (Bradford)	Apr 2
Jove Investment Trust	Mar 21
London and Continental Advertising	Apr 9
Lorin Electronics	Mar 25
Lyon and Lyon	Mar 22
Marlborough Property	Apr 25
Newman Industries	Mar 22
Ocean Transport and Trading	Mar 27
Owners Abroad	Apr 16
Palma	May 7
Pearson	Apr 2
Pleasurama	Mar 20
President Entertainments	Apr 9
Queens Moat Houses	†Apr 1
Reckitt and Colman	Mar 26
Robinson (Thomas)	Mar 28
Senior Engineering	Apr 3
Southampton, Isle of Wight and South of England Royal Mail Steam Packet	Apr 16
Superdrug Stores	Mar 28
Tharsis	Mar 27
Wilson (Connolly)	Apr 2

Granville & Co. Limited

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Over-the-Counter Market

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
144	123	Ass. Brit. Ind. Ord.	142	—	6.6	4.4	7.9	9.4
151	135	Ass. Brit. Ind. CULS	148	—	10.0	6.8	—	—
77	51	Airsprung Group	57	—	6.4	11.2	6.3	7.5
42	26	Armitage & Rhodes	36	—	2.9	8.3	4.4	7.3
143	108	Bardon Hill	143	—	3.4	2.4	14.4	24.0
58	42	Bray Technologies	50	—	3.5	7.0	5.8	8.3
201	170	CCL Ordinary	170	—	12.0	7.1	—	—
152	110	CCL 11pc Conv. Pref.	110	—	15.7	13.8	—	—
905	100	Carborundum Ord.	905	—	5.7	0.6	—	—
86	84	Carborundum 7.5pc Pf.	86	—	10.7	12.4	—	—
103	43	Cindico Group	43S	—	—	—	—	—
73	51	Deborah Services	54	—	6.5	12.0	5.1	8.3
312	182	Frank Horsell	312	+2	—	—	12.5	16.4
288	170	Frank Horsell Pr.Ord.87	286	+2	9.6	3.6	10.7	14.0
32	25	Frederick Parker	27	—	—	—	—	—
57	33	George Blair	57	—	—	—	3.8	7.7
50	26	Ind. Precision Castings	26xd	—	2.7	10.4	7.1	7.7
218	186	Isis Group	188	—	15.0	8.0	7.5	13.5
124	102	Jackson Group	103	+1	4.9	4.8	4.8	9.3
285	213	James Burrough	255	—	13.7	5.4	9.0	9.0
93	83	James Burrough 9pcPf.	85	—	12.9	15.2	—	—
87	71	John Howard & Co.	85	—	5.0	5.9	8.7	12.3
171	100	Linguaphone Ord.	171	—	—	—	—	—
100	93	Linguaphone 10.5pc Pf.	95	—	15.0	15.8	—	—
614	300	Minihouse Holding NV	612	—	3.8	0.6	43.9	48.2
120	31	Robert Jenkins	44	+1	5.0	11.4	—	—
80	28	Scruttons "A"	32	—	5.7	17.8	16.8	3.9
92	61	Torday & Carlisle	78	—	—	—	8.4	17.7
444	357	Trevian Holdings	357	−3	4.3	1.2	20.3	18.9
27	17	Unilock Holdings	26	—	1.3	5.0	12.6	18.2
98	81	Walter Alexander	95xd	—	7.5	7.9	9.4	11.4
247	224	W. S. Yeates	224	—	17.4	7.7	5.4	10.7

S=Suspended.

Prices and details of services now available on Prestel, page 48146

UK COMPANY NEWS

List of six contenders in Lloyd's Life sale

By Eric Short

MORGAN GRENFELL, the merchant banking group advising the Corporation of Lloyd's, has now drawn up a short list of six prospective purchasers for Lloyd's Life Assurance.

The Corporation announced at the beginning of February that it was putting up for sale its highly successful life company. Initially, over 100 institutions were circularised concerning the sale and invited to consider further if they were interested.

The six selected companies are all major insurance groups and come from the UK, North America and Europe. They will receive the actuary's report prepared by the consultant actuary firm of Bacon and Woodrow, and the accountant's report prepared by Ernst & Whinney.

The companies are being invited to visit Lloyd's Life premises and meet the management before submitting their firm offers, which have to be made within the next few weeks.

Both reports are highly confidential. But it is understood that the actuarial valuation fully supports the original ideas on the price of Lloyd's Life which was given as at least £100m.

Cambridge Electronic up to £11.9m

A PARTICULARLY strong performance by its electronic and electrical components companies enabled Cambridge Electronic Industries to raise pre-tax profits by 22 per cent from £9.72m to £11.87m for 1984.

Turnover rose by some 24 per cent to £129.33m (£103.95m) and mainly represented an increased volume of sales. Mr Rupert Jones, the chairman, says this must be regarded as further satisfactory progress for the group, in a period in which competitive pressures were increasing in many areas of activity — in spite of some improvement in the general economic climate.

Earnings per 25p share are stated up from 17p to 21p and the final dividend is raised to 4.93p (4.2p) net for a total 1p higher at 7p.

Mr Jones comments that 1984 has seen further and successful development of the group. As compared with 1983, all the principal indicators of performance have moved ahead.

He says it is an important part of the strength of the group that there is a very wide spread of products and market sectors and, increasingly, of geographical areas also.

The board intends to support by strong investment those group activities wherever good prospects for future growth are seen and will endeavour to keep the operations "flexible and responsive."

Group trading profits advanced from £9.68m to £12.18m. A divisional breakdown of these and turnover shows respectively (in £000's):—eelctronic and electrical components £8,495 (£6,048) and £76,417 (£60,584); defence and electronic systems £1,820 (£2,120) and £28,070 (£23,947); and specialist engineering £1,867 (£1,511) and £24,845 (£19,414).

In electronic and electrical components, the substantial capital investment of recent years contributed towards a general improvement in productivity. Lower profits from defence and electronic systems were due to costs associated with the establishment of a new production facility for the chemical agent monitor project, to meet the requirements of an initial £14m order from the Ministry of Defence.

Interest this time took £317,000 (added £45,000). Tax charge rose to £3.96m (£3.11m) and included a provision of £528,000 for deferred tax arising from the current year's operations. This was caused by the withdrawal of first year allowances in the Finance Act 1984.

A further £987,000, net of minority interest, has been charged as an extraordinary item to reflect the provision which would have been required a year ago had present circumstances applied then. After minorities of £316,000 (£486,000) earnings climbed from £6.13m to £7.59m.

The attributable balance came out some 8 per cent higher at £6.61m (£6.13m), of which the dividend absorbs £2.59m (£2.16m).

On a current cost basis, pre-tax profits were £10.46m (£8.54m) and earnings, before extraordinary items, came to £6.13m (£4.99m), giving earnings per share of 17p (13.9p).

● comment

Cambridge Electronics moved 27 per cent forward in 1982, 29 per cent in 1983, and 22 per cent in 1984. Bepi Circuits, Bellinglee Intec and Elec-Trol contributed to most of the profit last year, while Ecko Instruments turned in a poor performance and is now up for sale. Cambridge intends to take a serious look at expansion, and has earmarked a U.S. company with sales of about £18m and an electronics group based in West Germany. These plans follow the acquisition in the past two months of MTL Microtesting, Analytical Accessories and a 24 per cent stake in Lattice Logic at a total cost of about £5m. Cambridge hopes, in fact, to increase sales by a further 20 per cent this year and expects big sales from its Task Drives subsidiary. Its share price, down to 325p since last year's high of 405p, has taken a considerable bruising, partly from Cambridge's association with Acorn Computers and the less optimistic outlook for the electronics sector generally.

Fairey buying AI offshoot for £2.5m

Fairey Holdings, the engineering sector of the Pearson group, is buying the high tension insulator subsidiary of AI Industrial Products for about £2.5m in cash.

The AI subsidiary is involved in the manufacture of porcelain high voltage insulators for elec trical distribution and transmission systems.

A Fairey subsidiary, Doulton Insulators, is the UK's largest manufacturer of high voltage insulators. It and AI account for some 95 per cent of the British market, and the deal is subject to confirmation from the Office of Fair Trading that it will not be referred to the Monopolies Commission.

Fairey said the combination of the two companies would make a much stronger force in world markets. The need to remain competitive internationally gave the merger particular industrial logic. The deal is Fairey's sixth sizable acquisition in the past two years.

The Pearson group's interests also include the Financial Times.

For AI, a ceramics group that has been turned round since 1983 with the elimination of unprofitable activities, the sale is a substantial disposal. The company said the proceeds would be used to eliminate short-term borrowings and the directors intended at an early date to pay arrears of dividends on the preference shares.

Following the sale, the company added, AI would have a strong financial base.

Braham Millar to buy Barsby

BY MARTIN DICKSON

Braham Millar, the mechanical engineering subsidiary of C. H. Beazer, is buying Goodwin arsby,B a privately-owned manufacturer of construction industry plant, for £2.4m.

Goodwin Barsby, based in Leicester, had a turnover of £10.1m in the year to December 1984 and pre-tax profits of £596,000. The company exports some 65 per cent of its turnover. Net assets at the end of last year totalled £2.4m.

Braham Millar said the two companies' activities were strongly complementary in two areas: Goodwin Barsby manufactures a broad range of crushers and specialises in mobile, fixed and tailored crushing schemes, while Braham Millar distributes crushers but does not manufacture them.

Regarding asphalt plant, Braham Millar said it was strong i nthis field in the UK whereas Goodwin Barsby had succeeded in establishing a presence in some overseas markets.

Braham Millar, which intends changing its name to BM Group, was acquired by Beazer last June.

Goodwin Barsby makes crushing and asphalt plant. Braham Millar said the acquisition was an excellent opportunity to extend its involvement in the quarry plant and equipmetn field.

It is paying for the company with £750,000 in cash and the issue of 2.5m Braham Millar shares which will be placed on behalf of the vendors by brokers L. Messel.

Exchange gains lift Petranol to over £2.7m

In its first year as a fully listed company Petranol, the oil and gas exploration and production group, has seen its assets, profits, cash flow and earnings all rise substantially.

Including exchange gains on current account amounting to £1.43m and a realised exchange gain of £344,679 pre-tax profits for 1984 totalled £2.71m, compared with £218,671 for the previous year.

Shareholders are to receive a dividend of 1p net per 10p share. The group came to the market in February last year via an offer for sale.

The reserves attributable to Petranol's working interests in its properties have been evaluated at 6.1m barrels of oil and 17.6mmcf of gas in which it has a 78 per cent net revenue interest. In terms of net barrels of oil attributable to Petranol this represents over 4.6 times the level of reserves at the time of flotation.

The directors say that based on January 1985 prices, unescalated projected cash flows, after taking account of cash requirements, amount to £119m. When discounted at 10 per cent a year, the figure is £79.3m.

Oil and gas production is running in excess of 1,300 barrels a day and is expected to rise to over 2,000 barrels by the end of the year.

Buy-out of Heath underwriters agreed

A management buy-out of C. E. Heath (Underwriting), the Lloyd's managing agency of C. E. Heath—the large Lloyd's insurance broker—is under negotiation and a provisional agreement has been reached.

The move has been triggered b ythe Lloyd's Act of Parliament of 1982 which requires all the market's brokers to sever shareholding links with underwriting agencies which run Lloyd's insurance syndicates by mid-1987.

The divestment arrangements will require the approval of the ruling council of Lloyd's.

William Bedford

The offer for sale for antiques dealer William Bedford, which was priced at a minimum of 100p a share, has been oversubscribed 14.9 times at a striking price of 185p.

CUP in £15.22m sale of Swindon office buildings

Commercial Union Properties has sold two office building investments in Swindon for £15.22m.

NEM House, a 52,000 sq ft office development completed in 1981 and let to National Employers Mutual and General Insurance, has been purchased by Scottish Amicable Pensions Investments for £7.69m.

CUP has also sold 125 House, an adjoining office scheme completed in 1983 and comprising 49,000 sq ft of floorspace. The building, let to British Rail as headquarters for the western region, has been bought by Equitable Life Assurance for £7.53m.

Hillier Parker and J. P. Sturge advised CUP in the transactions

Kissin boosts stake in Guinness Peat

LORD KISSIN and ICG Handelsges, a West German company with which he is allied, have increased their holding in Guinness Peat Group, the financial services company which he founded.

Lord Kissin has bought 1.5m more shares, taking his stake to 8.1 per cent. ICG bought 250,000, taking its stake to 7.3 per cent. Lord Kissin, who has contested the strategy of GPG's new management, has said his intentions are not hostile.

GPG confirmed yesterday that it controls or has beneficial ownership in 38.8m shares, equivalent to 28 per cent, of Britannia Arrow, the finance and banking group.

Routledge statement likely to stress profit recovery

BY LIONEL BARBER

The board of Routledge & Kegan Paul, the publisher, is to issue a statement to shareholders as soon as possible after last Friday's surprise shut-out bid for Routledge by Associated Book Publishers.

The statement will contain a profits forecast for the current financial year and is expected to stress the board's view that Routledge is well into a recovery after recent indifferent results. Last year, Routledge made £104,590 pre-tax profits, against a £49,000 loss.

The Routledge board was stunned by the decision of Mr Norman Franklin, the chairman, to sell out to Associated in a deal which values the company at £4.4m. The board, advised by Morgan Grenfell, had put together a separate cash offer to buy out the Franklin family, which controls 52 per cent of the company.

According to Morgan Grenfell, this cash deal was ready by Friday morning and would have been subscribed to by one major pension fund and several other financial institutions. However, it is likely that the deal would have increased the 39 per cent share stake of Routledge's other major shareholder, Camellia Investments, which would have required approval by the Takeover Panel.

The board's offer would have been worth around 350p a share. But Associated's shares and cash offer is worth 392p a share on the basis of Associated's closing price last night of 438p, unchanged on the day. Routledge shares closed last night at 380p, down 8p.

"We are now seeking assurances from Associated on employment and other matters." said Mr Phillip Sturrock, Routledge's managing director.

The shut-out bid by Associated, advised by Kleinwort Benson, offers two ordinary shares and £3 in cash for every three ordinary shares in Routledge.

Chambers & Fargus in loss

Chambers & Fargus, an edible oil refiner and processor, dipped into the red in the half year to December 29, 1984, with pre-tax losses of £69,000 against previous profits of £60,000. A provision of £113,000 was made against a trading debt.

Full provision was made against the debt where doubts still exist against its full recoverability. Some recovery is expected to be made.

The interim dividend is being omitted — last year 0.5p net was paid followed by a final of 0.5p.

Turnover for the half year rose to £9.94 (£7.97m). Interest charges accounted for £63,000 (£54,000) and depreciation for £131,000 (£108,000).

There was again no tax provision due to current position.

MINING NEWS

RTZ can buy into Neves Corvo

BY GEORGE MILLING-STANLEY

RIO TINTO ZINC group is now onfident of securing a sizeable interest in the rich Neves Corvo copper deposit in Portugal, following the Portuguese Government's decision to allow its pre-emptive right of purchase over the stake to lapse.

The authorities have resumed negotiations with the London-based international mining group over the formal and legal arrangements under which RTZ is to acquire 49 per c ent of Somincor, the local company set up to control the joint venture.

RTZ reached agreement last October with two French companies, Penarroya and Coframines, to buy their combined 49 per cent stake in Somincor for around $87m. Last month, however, it emerged that this deal was subject to a pre-emptive right of purchase held by the other partner, the state-owned mining company EDMA.

This right of purchase ran until March 15, and the Government gave six other international natural resources groups, including South Africa's Anglo American Corporation and America's Exxon until that date to submit tender offers for the stake in Somincor in competition with the RTZ deal.

The Portuguese authorities are known to be keen to add value to the output from Neves Corvo by arranging for a smelter to be built at the mine site. RTZ is understood to prefer using existing smelter capacity elsewhere in Europe, possibly the facility near Huelva in Spain owned by its associate, Rio Tinto Minera.

The Government was clearly hoping that one or more of the companies invited to tender would come up with plans for an on-site smelter. Apparently the only bid received, which came from Anglo American, contained no firm proposals on the smelter issue, and was in any event at a lower price than that from RTZ.

Neves Corvo is considered to be the most important mining development in recent Portuguese history. EDMA estimates ore reserves at 35m tonnes with a very rich average grade of 7.5 per cent copper.

FT COMMERCIAL LAW REPORTS

Damages reduced for charter overlap

RHEINOEL GmbH v HYRON LIBERIAN CO.
Queen's Bench Division (Commercial Court):
Mr Justice Bingham:
March 13 1985

WHERE CHARTERERS repudiate a charterparty and there is an overlap between the latter part of the period during which it would have run and the beginning of a substitute chaterparty entered into by the shipowners, damages are calculated by deducting the net sum earned during the overlap period from the net sum that would have been earned under the original charter.

Mr Justice Bingham so held when varying the sum of an award made by arbitrators in a claim by Hvron Liberian Co, owners of Concordia C, against the charterer, Rheinoel GmbH, for breach of a voyage charter made on January 21, 1982.

* * *

HIS LORDSHIP said that Rheinoel chartered Concordia C from the owners under a charterparty which provided for 72 hours laytime. It intended to employ the vessel to lift crude oil at Forcados in Nigeria, and to carry it to its refinery at Wilhelmshaven.

After the vessel arrived at Forcados, the supplier announced it could not supply a cargo for mechanical reasons. Rheinoel told the owners it could not use the vessel and claimed that the charter was frustrated.

The owners refused to accept that. They treated Rheinoel's conduct as a repudiation of the contract, which they accepted. They then entered into an alternative charterparty with Marathon, though that was not to take effect for some days.

The calendar of significant dates was: January 25 — vessel arrived at Forcados, notice of readiness given; January 29 00.01 hours — laytime began under Rheinoel charter; February 1 00.01 hours — laytime expired under Rheinoel charter; February 2 — owners accepted Rheinoel's repudiation, refixed vessel to Marathon; February 6 — vessel arrived at Kole for Marathon charter; February 13 00.01 hours — vessel started to load under Marathon charter; February 15 08.00 hours — vessel completed loading under Marathon charter; February 16 08.00 hours — vessel would have sailed from Wilhelmshaven after discharge of Rheinoel charter performed; March 10 02.00 hours — vessel completed discharge at *St James Mississippi* under Marathon charter.

The owners claimed under three heads: for freight differential, damages for detention, and expenses incurred in deviating from Forcados to Kole.

The arbitrators rejected Rheinoel's defence that the charter party had been frustrated.

For the freight differential claim they took a period of 18.33 days running from 00.01 hours on January 29 when laytime began under the Rheinoel charter, until 08.00 hours on February 16, when the vessel would have sailed from Wilhelmshaven if the predicted voyage had been performed.

They calculated the daily net revenue which would have been earned by the owners during the Rheinoel charter (18.33 days) at $12,281 per day. They calculated the daily net revenue which the owners did earn under the Marathon charter (from 00.01 hours on February 13 to 02.00 hours on March 10, 25.08 days) at $9,368 per day.

Then they multiplied the difference between those figures, $2,913, by 18.33, to yield the figure, which they awarded, of $53,395.29.

For the detention claim they took a period of 14.33 days, running from 00.01 hours on February 1 when laytime expired under the Rheinoel charter, until 08.00 hours on February 15 when the vessel completed loading under the Marathon charter. They multiplied that 14.33 days by the demurrage rate in the Rheinoel charter, giving the total of $159,430, which they awarded.

For the expenses incurred in deviating from Forcados to Kole, they awarded $10,399.

The total award before interest amounted to $223,224.29. Save for the sum for deviation expenses, Rheinoel radically challenged the arbitrators' approach.

It submitted (1) that the arbitrators were wrong to award damages for detention and freight differential in respect of the same period for the same vessel, since the first head rested on the premise thatt he vessel was idle, and the second on the premise that it was being put to alternative use; (2) that they erred in ignoring the vessel's earnings between February 16 and March 10 under the Marathon charter, since the owners were bound to give credit not only for substiture earnings during the Rheinoel charter period, but also for earnings after that time, which they could not have enjoyed but for Rheinoel's breach.

Rheinoel advanced alternative calculations. The most advantageous to it showed $563 due to the owners, after deducting from the total net revenue to be earned under the Rheinoel charter the total net revenue earned under the Marathon charter.

The owners did not accept those criticisms. They pointed out that in *Saxon Ship v Union Steamship (1898-99) 4 Com Cas 29. 298. (1900) 5 Com Cas 381. (1899) 81 LT 246. (1900) 83 LT 106* owners had recovered both freight differential and demurrage, the latter during a period of four days when the vessel was loading under an alternative charter.

The arbitrators correctly stated the guiding principle that the owners' damages should put them in the same financial position as if the Rheinoel charter had been performed. But that principle, easy to state, was often far from easy to apply. They had a perplexing task in trying to give appropriate effect to a substitute charter to a different destination, overlapping for only a short time with the time over which the Rheinoel charter would have been performed.

Had the owners been unable to find any employment for the vessel during the period in which the Rheinoel charter would have been performed, their loss would *prima facie* have been the net revenue under that charter which they lost, assessed by the arbitrators at $225,143. Had the charter been performed they would, at 08.00 hours on February 16, have had a net profit of that sum, plus a free ship.

As it was, they were able to find employment for the vessel during the tail-end of that period, laytime under the alternative charter beginning to run at 00.01 hours on February 13.

To put the owners in the same position as if the Rheinoel charter had been performed, it was accordingly necessary to reduce the net revenues which the owners would have earned under it by the net amount which they did in fact earn during its currency.

That was what the vessel did earn "during the period of the charter on a substituted voyage" *(Scrutton on Charterparties 19th ed, art. 192)*

From the total of $225,143 there must accordingly be deducted $31,195.44, representing 3.3 days (00.01 hours February 13 to 08.00 hours February 16), at the daily net revenue rate under the Marathon charter assessed by the arbitrators at $9,368 per day. The deviation expenses of $10,399 incurred to earn the alternative charter rate must be added.

The total damages to which the owners were entitled on that basis was $204,346.56, a figure little lower than that found by the arbitrators.

Had the arbitrators concluded that the Marathon charter, extending after February 16, conferred benefits on the owners which they would not have obtained had the Rheinoel charter been performed, that would go to depress the damages; but they did not, and their award contained no material to suggest that they could or should have

Accordingly, the award would be varied by substituting $204,346 for the figure of damages recoverable by the owners, with interest.

It was over 15 months since the award was made, and over 11 months since leave to appeal was given. The court was told that the delay arose from attempts to accommodate counsel.

For the shipowners: Stephen Tomlinson (Ince and Co.)

For Rheinoel: Michael Tugendhat (Constant and Constant).

By Rachel Davies
Barrister

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Microcomputers

The dangers of an abundance of options

BY WILLIAM DAWKINS

WANDER into any local microcomputer dealer and the chances are that you will find one of your competitors seated at a keyboard trying out the latest machine.

Small businesses represent the bulk of the first-time buyers' market for micros — the top companies joined the office revolution several years ago — and yet one estimate has it that 90 per cent of the small firms which would benefit from being computerised have not yet become so.

It is therefore not surprising that micro dealers are striving harder than ever to seduce *small business managers* into buying their equipment. Almost 700 different personal computers were on sale in the UK by the end of last year from around 2,500 dealers, presenting managers with a confusing range of choices which could make the difference between substantially improving their companies' efficiency and court*ing financial* disaster.

Trade surveys suggest that *£60m a year is wasted on the* purchase of useless equipment, and it is not hard to find examples of small companies which went bankrupt at least partly because they bought a system which they failed to understand or which proved unsuitable.

One such is Atlantis Video Productions, a Wapping-based video-tape distributor in London which recently went into liquidation with bad debts of £100,000. Roger Coghill, its founder, *admits that the fact* that he allowed himself to be rushed into buying a *system* which was inappropriate to the company's needs contributed to the failure.

His micro's memory became overloaded with the result that Coghill was given inadequate warning of bad customer debts —an important hazard in the video trade — and it took him so long to prepare accurate accounts to present to potential investors that the company was beyond help by the time a lifesaving deal could be put together. "There must be hundreds of cases like ours," he says.

So how can the computer jungle be negotiated without falling into similar traps? The first rule of survival is that the approach to buying a computer is much more important than what computer is chosen. "There is no best computer and there is no best software package. It is horses for *courses," says Eric* Bagshaw of the National Com*puting* Centre's microsystems division. "It is a bit like buying a car. Nobody would go into a showroom and ask: 'What is the best car?'"

However, buying a computer is also unlike buying a car in that there is very little to choose between the different kinds of hardware on offer. The software — the instructions which tell your computer what functions to perform — should be the *starting point.*

Your first move should therefore be to sit down and write out what those tasks should be. *They might* include *stock* control, invoicing, financial plan*ning or sales analysis.* This list will enable you or your adviser to select an off-the-shelf software package or to commission a specially written programme for more complex needs. You should also consider how many individual work stations you need (how many people will be using the computer at once) and the number of printers and other accessories required.

Another important rule is to *get your costs into perspective.* The steep decline in hardware *prices in recent years has made* computers look deceptively cheap. But Simon Orme, marketing director for Hoskyns Group, one of the largest systems houses in the UK, points out that hidden costs (like staff training, consultancy, and loading paper files onto the computer's memory) can often be more than the cost of the equipment itself.

With those points in mind, the next step is to decide how to go about making the purchase. The most popular — and riskiest — option is to buy direct from a dealer, who will invariably *throw in some consultancy* advice as well.

The quality *of some dealers'* advice can be distinctly variable, as shown in a recent survey by Which Computer? The magazine visited 12 top computer chains—as opposed to specialist dealers—and found that none of them could meet the stated requirement of a fictional small company.

Some of the smaller dealers *run the risk of going bankrupt* in what is the most competitive area of the computer market. That does not mean all dealers are cowboys, but it does mean that you should check out your local computer firm with its own bank and other customers.

A second route is to approach a computer consultant, who is likely to give more expert advice than any but the largest dealers. He is also likely to have links with suppliers which might colour his opinions, though the *NCC's Microsystems Centre* and its 18 regional offices are excep*tions. The costs are high*—anything between £40-£100 per hour —*and the benefits are hard to* measure precisely.

Doug Eyeions, secretary general of the Computing Services Association, a trade body which includes consultants among its members, says: "The first-time user generally does not understand why he needs to splash out all that money to pay for someone to make his decisions for him, especially when he thinks he can get it free from computer magazines or from talking to salesmen."

A third — equally costly — option *is* to consider the services of your accountant. Most *of the big firms have set up* small business computer advisory arms in recent years as a way of making fuller use of their existing client base.

The argument in favour of using an accountant is that buying a micro is likely to affect financial management more than any other area of your business, so it makes sense to take advice from someone *familiar* with your financial state. One firm, *Arthur Andersen, runs* its Microguide service within its audit division.

"We have a lot of experience in the computer field from installing our own micros, and also from working on consultancy with clients. Many people approach us because they have lost operational control of their business and see a micro as a relatively cheap way of getting it back," says Clive Leyland, principal in charge of Microguide.

And that is precisely the kind of misconception which con*sultancy advice — whether from* an accountant or an independent *specialist — s*hould be able to correct. Leyland stresses that a micro will do no more than automate the information you already have. If you have lost control, it will only speed your decline on the principle of what computer buffs call Gigo — garbage in, garbage out. On the other hand, buying a micro could be a valuable chance to sharpen up your management information. Says one consultant: "It is a baptism of fire."

Austin Wixey (left), Gordon Chatterton and Andrew Morris: three different solutions

Paid for mistakes

THREE important rules to bear in mind when buying a business computer are: to avoid suppliers which might go bust; to define your needs clearly, and not to expect the system to solve your management problems.

Helical Springs, a Lancastrian maker of *high tolerance* springs for diesel valves and *industrial machinery,* freely admits that it broke all of them. *It* was only by spending £2,500 on the services of a microcomputer consultant that Helical extracted itself from a potentially far more costly problem.

Helical, which employs 67 people in Lytham, installed its first micro to automate the company's accounts in 1978. It had to ditch the machine —after repeated technical hitches — when the manufacturer, Mascon Systems, went bankrupt three years later.

Chastened by that experience, the group looked for a larger supplier that was likely to stay in business. "We also wanted the manufacturer to be the author of the software. When our first machine failed, the manufacturers blamed the software company, and the software people blamed the manufacturers," says Andrew Morris, Helical's finance director.

Eventually, Helical paid £80,000 for a powerful minicomputer made by a large European office equipment group. The *price* included packaged software to handle accounts, sales and order processing, production control and *wordprocessing.* "We wanted a single machine to cover every subject," says Morris.

It did not. The *system* was unable to produce invoices in time to leave the *factory* with order deliveries, it proved inflexible when it *came* to handling invoices for irregular sized batches, and *Helical* found it quicker to work out production costing manually.

In desperation, he called in Arthur Young's *Microcentre* computer advisory service— the accountancy firm was incidentally being considered to audit Helical's books—who managed to persuade the supplier to make *numerous* changes to the software. Helical bought a *separate* £4,500 micro — a Digital Rainbow — *to operate production costing* controls.

Arthur Young also had a few words of advice about Helical's cash management. The results, says Morris, have more than paid for the consultancy fees in terms of improved cash flow. But the experience has been a waste of management time. "You *should really take a good year* to look for equipment and *software," he says.*

Software first

KISS is not just another baffling acronym used by computer boffins.

It stands for Keep *it* Simple, Stupid and is the motto which Gordon Chatterton kept at the forefront of *his mind* when selecting a microcomputer system for his *London - based executive* search firm, AGB Recruit*ment.*

"Right from the start, we knew we were looking for a supplement to what we were doing rather than a substitute for the process of finding the right people for our clients," explains Chatterton.

He identified the need for a *micro two years ago. As part of the process of job searches for clients, details of likely* candidates were kept on *paper files—revealingly, they* still are. Initial selections were getting increasingly time-consuming for his 10 staff as the business grew.

Chatterton, who admits to being a better informed micro-buyer than most small businessmen, started not by choosing equipment but by trying to define precisely what tasks he wanted a micro to perform.

After lengthy consultations with his colleagues, *Chatterton* came up with two broad requirements. *The micro* should be able to list candidates according to *qualities* like age, salary, location and specialisation so that *it* could be fed with a set of job requirements and *throw up* the names conforming to those criteria. *Full details* would then be extracted from the existing files.

It should do the same thing for sources of *information* about potential candidates, using parameters *like* industry, management level and company. The next *job* was to find a software package to answer those needs.

It was at that point that *Chatterton turned to* Digitus, one of the larger London computer dealers, which suggested an information and *storage* retrieval package called Kardbox. It could readily be tailored to suit AGB and could run on most standard micros.

Chatterton paid £3,500 for a single-screen Sirius with a printer, and just £300 for the software—an unusually small sum, reflecting the *simplicity* of his needs. Rather than go *computerised* all at *once,* he ran a three-month trial on one sector of the business—appropriately enough, information technology job searches.

After a number of changes, including the development of alternative systems to suit each sector of the business, he is now completing the transfer of all AGB's files to the computer.

"It's difficult to quantify the benefits," says Chatterton. "I can't claim that the business would not have expanded at the same rate without it, but every person among us believes that life is easier and that we are operating faster and more efficiently."

Rejected advice

YOU DON'T have to own a computer to use one to help run your business.

When Austin Wixey became finance director of Hurrans Garden Centres near Gloucester seven years ago, the company's offices were squeezed into a Portakabin. There was no room to swing a cat—let alone house a computer—and neither was there any spare cash to buy one, since Hurrans had just splashed out £250,000 on purchasing a garden centre and had another *acquisition* in its sights.

Yet, there was a clear need to *automate* at least *some* of the company's paperwork, which was *growing* just as quickly as sales—£3m in the year *to last August.* Wixey's solution was to use a local computer bureau, Dolphin Computers of Cirencester, which processed *the group's* wages, invoices and monthly management *accounts* on its own mainframe.

Cash had become less tight by 1981, when Wixey bought an Apple single-screen micro with standard spreadsheet and accounting packages, which enabled him to make financial forecasts and break down sales into product groups. But by the beginning of last year, *the Apple's memory was get*ting overloaded and Wixey began to think of moving the whole process in-house.

The group had moved into bigger offices, and Dolphin was about to replace its by then out-dated Burroughs B80 mainframe, which meant that Hurrans would have to pay up to *£3,000 for new software.* Wixey, who used to work for *accountants* Deloitte Haskins & Sells as Hurrans' auditor, called in his *former* employer's microcomputer advisory service, which recommended a number of systems from large manufacturers like ICL, IBM and Digital Equipment.

Wixey also asked them to check out a new £17,000 system recommended by Dolphin, a powerful micro made by Aston Technology, a little-known Birmingham company. The *price included* two terminals and a printer, *with an extra £5,000 for software and staff training to be provided* by Dolphin.

Deloitte's — whose fees *came to almost £2,500*—liked the Aston machine, but suggested that Hurrans would be safer buying a proven system from a more established manufacturer; advice which Wixey rejected. "Dolphin already had all our records and could set up a system with very little input from us," he explains.

But was the consultancy bill a waste of money? "Not at all," he claims. "Having Deloitte's around meant we got better service from Dolphin. They really helped speed things up and gave me a feedback from the garden centre managers which I had not before." He did, however, take Deloitte's advice to get double the size of memory he had budgeted for and arrange a maintenance contract with Dolphin.

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International

USA COMPANY FOR SALE

17 year old manufacturer of injection molded components for the swimming pool industry. Sales: U.S.$ 3.5 million. Profits: $4l Net worth $300,000. Price $1 million. Terms negotiable.
Write Box G10575, Financial Times
10 Cannon St, London EC4P 4BY

U.S. DRUG CHAIN FOR SALE

Two divisions of a large retailing conglomerate located in Midwest. Drug chain has 38 stores and turnover of $60 million. Sundry chain has wholesale division and 41 retail stores with turnover of $10 million. Both operations profitable with good outlook and good management in place. Sales price slightly in excess of book value. Representative will be in London week of April 1 to meeting with interested buyers. Write to: The Chairman, Box G.10586, Financial Times, 10 Cannon Street, London EC4P 4BY.

Integrated Circuit Controls

Designers and Manufacturers of Electronic Control Systems

For sale as a *going concern* the business and assets of this company with expertise in the design and manufacture of microprocessor based electronic control systems for houshold domestic appliances.
Situated in modern Freehold factory premises on the outskirts of Workington, Cumbria; the business in one of the most experienced and advanced in this field.
Production facilities include the latest machinery in component insertion technology under computer control and high capacity solder machines.
Customers currently include major U.K. Domestic Appliance Manufacturers.

Interested Parties should contact the Joint Receiver and Manager:

Cork Gully

R. A. Stone F.C.A.,
Cork Gully,
43 Temple Row,
Birmingham,
B2 5JT.
Tel: 021-236 9966
Telex: 337892 COLYBM G

HEATING CONTRACTORS

Home Counties

Long established and profitable company operating from freehold premises acts as specialist contractors in the design of new and converted central heating systems and the maintenance and chemical treatment of existing systems. Customers include central and local government, industry and private householders. Experienced management team *and staff. Turnover currently £400,000 with considerable* expansion potential.

Interested parties please contact:
K W Tonkin
Spicer and Pegler Associates
St Mary Axe House
56-60 St Mary Axe
London EC3A 8BJ

COIN OPERATED MACHINES

For Sale. Long established family business with a record of profitability and exceptional cash *flow.* Widely based operation with Midland headquarters capable of further development.
Initial enquiries to:
Box G10592, Financial Times
10 Cannon St, London EC4P 4BY

RETIREMENT SALE

Specialist Holidays In France

Well established tour operator offers lucrative mobile home holiday business for sale with full lettings for 1985 season. Turnover in excess of £200,000. Projected profit £70,000. Offers around £600,000 to include all units.
Write Box G10591, Financial Times
10 Cannon St, London EC4P 4BY

Businesses Wanted

£5 MILLION

Public company, with energetic Board, ambitious to expand group base urgently, wish to acquire profitable importing or distributing companies in the textile or clothing fields. Up to £5 million available for part or 100% purchase. Existing management retained where appropriate. Write in confidence to: Lord Barnett, Chairman, S. Casket (Holdings) PLC, 8 Gt. Marlborough St., Manchester M60 1NL.

ENGINEERING COMPANIES REQUIRED

Our client, a substantial general engineering company, intends to expand and diversify its business through acquisition of companies and product lines. The company has expertise in all aspects of engineering and enjoys a good percentage of overseas sales. We wish to hear from principals who seek to dispose of a product line or a viable business or who wish to plan their retirement. Growing concerns which would logically benefit from a rationalisation of overhead costs and/or the improved marketing and financial status accredited to members of a *large group of companies* should also contact us. While all acquisitions will display some synergy with present activity, our client has few preconceived ideas as to the range of products which *may* be acceptable, however the automotive industry will not be considered. Preference will be given to manufacturing activity which *may* logically be targeted at the U.S. market, as will companies capable of transferring their production to our client's factories within a reasonable time frame.

Please contact R. P. Graham

Collins-Wilde plc

P.O. Box 48, Hursley, Winchester, Hampshire, England, SO21 2LL
Telephone: 0962 - 75260 Telex: 477104

PLANT HIRE COMPANY WANTED

Listed company seeks further expansion through the acquisition of a Plant Hire company with an annual turnover in excess of £500,000. Existing management retained where possible. Shareholding in form of minority interest can continue if required.

Reply in confidence to Box G10582, Financial Times
10 Cannon Street, London EC4P 4BY

COMPANIES IN FOOD BUSINESS WANTED

We wish to acquire Businesses involved in Importing and Distribution of Canned Meat and Fish Products
Substantial funds available
Write Box G10534
Financial Times, 10 Cannon Street, London EC4P 4BY

REPUTABLE

TRUST COMPANY

wishes to purchase
Trust business where
Management can be moved
to ZURICH, Switzerland

(6 times yearly nett profit offered)
Only business of acting as Trustee of Settlements or Discretionary Trusts (at present located anywhere) required.

Full particulars in strict confidence to Box G10589, Financial Times
10 Cannon St, London EC4P 4BY

WANTED

We are looking for a company or a "hive down" situation in the field of software, computer peripherals, information technology, entertainment software publishing etc on behalf of a client company.
Please reply to:
CROXLEY SECURITIES PLC
3rd Floor Suite, 14 Lloyd Street
Manchester M2 5ND
Tel: 061-832 4624

WANTED

MEMBERS AND MANAGING UNDERWRITING AGENCIES

FOR
LONDON-BASED CLIENTS

Principals only write to:
D. G. Dedman, FCA,
Messrs P. D. Leake & Co
28 St John's Square
London EC1M 4BA

MAJOR FIRM

Involved in insurance broking, life assurance, unit trust advisory services, pensions and benefit consultancy, seeks acquisitions. Commission/fee income between £250,000 to £5m pa considered.

Write Box G10280, Financial Times
10 Cannon St, London EC4P 4BY

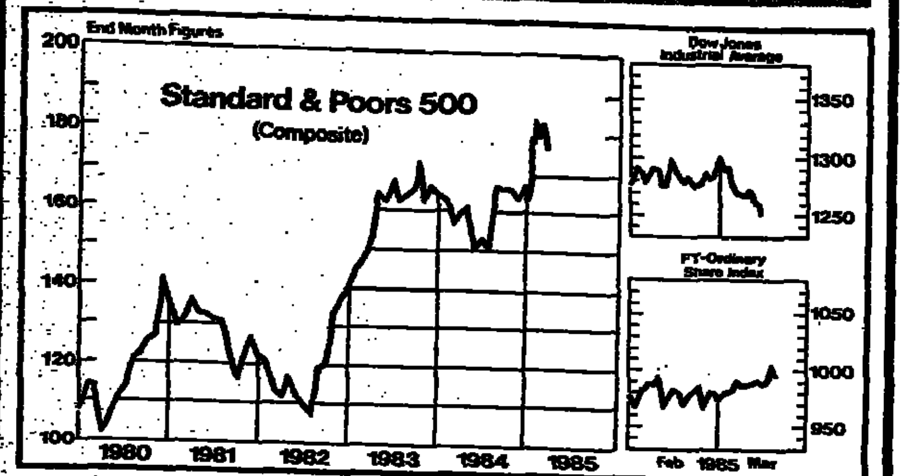
10 BLOCK WIRE DRAWING MACHINE 1500/2500 FPM 35 HP A/C per block last block DC complete with all auxiliary equipment. Tel: 0902 42541. Telex 336414.

OFFICE CLEANING CO. Wanted to purchase. Investor wishes to enter office cleaning market via acquisition of small, established company based in central London. Write Box G.10588, Financial Times, 10 Cannon Street, London EC4P 4BY.

SECTION III – INTERNATIONAL MARKETS
FINANCIAL TIMES
Tuesday March 19 1985

Eurosterling terms show sharp differences, Page 46

KEY MARKET MONITORS



STOCK MARKET INDICES

	Mar 18	Previous	Year ago
NEW YORK			
DJ Industrials	1,248.79*	1,247.35	1,184.36
DJ Transport	594.77*	602.19	516.21
DJ Utilities	147.00*	147.00	127.60
S&P Composite	176.67*	176.53	159.27
LONDON			
FT Ord	995.4	1,002.5	883.1
FT-SE 100	1,300.3	1,309.9	1,128.5
FT-A All-share	627.87	630.16	524.10
FT-A 500	688.05	690.25	569.70
FT Gold mines	481.7	479.9	694.9
FT-A Long gilt	10.77	10.78	10.22
TOKYO			
Nikkei-Dow	12,506.64	12,487.38	10,458.3
Tokyo SE	1,000.1	998.65	822.4
AUSTRALIA			
All Ord.	790.2	794.5	734.1
Metals & Mins.	471.9	476.3	509.7
AUSTRIA			
Credit Aktien	71.23	71.54	55.06
BELGIUM			
Belgian SE	2,305.78	2,305.2	–
CANADA			
Toronto			
Metals & Minls	2,000.9*	2,014.0	2,332.0
Composite	2,582.5*	2,584.6	2,422.7
Montreal			
Portfolio	128.84*	128.69	119.02
DENMARK			
Copenhagen SE	176.85	176.69	192.58
FRANCE			
CAC Gen	207.1	208.1	161.3
Ind. Tendance	112.4	112.8	86.28
WEST GERMANY			
FAZ-Aktien	420.22	419.17	353.57
Commerzbank	1,220.3	1,214.0	1,088.9
HONG KONG			
Hang Seng	1,310.47	1,333.76	1,130.69
ITALY			
Banca Comm.	n/a	n/a	217.07
NETHERLANDS			
ANP-CBS Gen	207.2	207.8	162.6
ANP-CBS Ind	165.2	165.6	132.5
NORWAY			
Oslo SE	315.22	318.61	250.6
SINGAPORE			
Straits Times	841.17	841.17	1,008.14
SOUTH AFRICA			
Golds	927.4	n/a	1,044.4
Industrials	858.2	n/a	1,070.3
SPAIN			
Madrid SE	111.91	111.57	83.33
SWEDEN			
J & P	1,433.47	1,437.39	1,522.44
SWITZERLAND			
Swiss Bank Ind	430.4	430.2	368.6
WORLD	Mar 15	Prev	Yearago
Capital Int'l	195.4	195.9	185.8

GOLD (per ounce)

	Mar 18	Prev
London	$298.75	$294.50
Zürich	$298.25	$292.75
Paris (fixing)	$292.77	$288.50
Luxembourg	$294.45	$290.25
New York (Apr)	$303.80	$295.20

* *Latest available figure*

CURRENCIES

(London)	U.S. DOLLAR Mar 18	U.S. DOLLAR Previous	STERLING Mar 18	STERLING Previous
$	–	–	1.1065	1.084
DM	3.34	3.377	3.695	3.66
Yen	259.85	260.5	287.5	282.25
FFr	10.195	10.31	11.3275	11.165
SwFr	2.84	2.8755	3.145	3.115
Guilder	3.7745	3.82	4.175	4.14
Lira	2,119.0	2,125.5	2,337.0	2,308.0
BFr	67.3	67.85	74.3	73.5
C$	1.382	1.3875	1.529	1.502

INTEREST RATES

	Mar 18	Prev
Euro-currencies (3-month offered rate)		
£	13½	13 13/16
SwFr	5 15/16	5 15/16
DM	6 5/16	6 5/16
FFr	11 3/16	11 3/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	9⅝	9⅝
6-month U.S.$	10	10⅛
U.S. Fed Funds	8½*	8⅞
U.S. 3-month CDs	8.95*	9.30
U.S. 3-month T-bills	8.49*	8.44

U.S BONDS

Treasury		Mar 18* Price	Mar 18* Yield	Prev Price	Prev Yield
10	1987	98 17/32	10.846	98 29/32	10.791
11⅝	1992	98 13/32	11.954	98 24/32	11.878
11¼	1995	95 22/32	12.00	96 6/32	11.934
11¼	2015	94 19/32	11.948	95	11.86

Corporate	Mar 18* Price	Mar 18* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	94½	11.80	94½	11.80
3⅞ July 1990	73½	10.55	73½	10.55
8⅜ May 2000	74½	12.55	74½	12.55
Xerox				
10⅞ March 1993	91⅝	12.30	91⅝	12.30
Diamond Shamrock				
10⅜ May 1993	91⅝	12.40	91⅝	12.40
Federated Dept Stores				
10⅜ May 2013	84.803	12.60	84.803	12.60
Abbot Lab				
11.80 Feb 2013	93.465	12.65	93.465	12.65
Alcoa				
12¼ Dec 2012	94.01	13.05	94.01	13.05

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
March	68–25	69–08	68–23	69–02
U.S. Treasury Bills (IMM) $1m points of 100%				
June	90.72	90.85	90.69	90.78
Certificates of Deposit (IMM) $1m points of 100%				
March	90.89	90.94	90.88	90.91
LONDON				
Three-month Eurodollar $1m points of 100%				
June	89.41	89.50	89.35	89.30
20-year Notional Gilt £50,000 32nds of 100%				
March	104–07	104–17	104–09	104–12

COMMODITIES

(London)	Mar 18	Prev
Silver (spot fixing)	521.00p	523.45p
Copper (cash)	£1,238.00	£1,258.00
Coffee (March)	£2,351.00	£2,379.00
Oil (spot Arabian light)	$27.75	$27.70

WALL STREET

Blue chips establish firm tone

RENEWED strength in blue chip issues led Wall Street stock markets higher yesterday while bond prices eased as the market awaited details today of the Treasury's quarterly mini refunding programme and economic data later in the week *writes Michael Morgan in New York.*

Thursday's flash estimate of first-quarter GNP growth will be of particular significance, with analysts currently predicting an increase of between 2 and 6 per cent.

Stocks moved ahead from the start, picking up some of the sharp decline seen late on Friday when a number of institutions sold.

By 3pm, the Dow Jones industrial average was up 1.44 at 1248.79, having been nearly 8 points ahead after the first hour of trading.

In the credit markets, bond prices turned lower as the dollar eased and after the federal funds rate opened at 8⅝ per cent. At that level, the Fed added temporary liquidity with a $1.5bn overnight customer repurchase arrangement and the rate later eased back to 8½ per cent. The Fed also later bought $325m of T-bills for customer account.

Among Treasury coupon issues, the key long bond, the 12¼ per cent of 2015, fell 10/32 to 94 17/32 but prices of Treasury notes were little changed.

In the money markets, yields on Treasury bills rose after Friday's sharp declines which were the result of a flight to quality amid the problems surrounding Ohio's state insured savings banks.

The three-month Treasury bill, yielding 8.46 per cent, was 7 basis points higher while the six-month bill, yielding 9 per cent was 7 basis points firmer. Yields on certificates of deposit were, however, lower with declines of up to 13 basis points.

The market awaited results, late in the day, of the regular weekly auction of $14bn in three and six-month bills, while tomorrow $9bn of two-year notes go up for sale.

In the stock markets, ABC surged $33¾ to $107 in immediate reaction to the lunchtime announcement of a planned merger with Capital Cities Communications. Stocks of both companies had been delayed from the opening. Capital Cities returned to trade up $8 at $184.

Elsewhere in the communications sector, CBS was delayed from the opening because of an order imbalance, but later returned to trade up $2 at $90½. RCA, the parent of National Broadcasting, added $1¼ to $39¼.

American Continental Corp added $⅝ to $7⅝ as it planned a proxy contest to block a proposed $885m asset sale and liquidation by the Dallas-based Gulf Broadcast, in which it has a 25 per cent stake. Gulf Broadcast was $⅛ higher at $15.

Phillips Petroleum opened down $12½ at $36¾ after it announced that about 133m shares had been tendered under its offer to purchase 72.58m of its shares in exchange for a package of debt securities having an aggregate face value of $62 a share. Phillips later picked up some of the losses to trade $8½ lower at $40⅝.

Among blue chips heavily traded on the New York Stock Exchange, AT&T was up $¼ at $21⅝, IBM was $⅝ higher at $128⅞, and Chrysler was $⅝ down at $34⅝. On the American Stock Exchange, active features included Wang Laboratories, unchanged at $20⅜ and Dataproducts, $⅝ lower at $14⅝.

SmithKline Beckman dipped $⅝ to $59⅛, after the Defence Department proposed to debar the company from competing for further contracts, alleging that the Philadelphia-based pharmaceutical and scientific instruments group failed to make a timely report to the Government about the side effects of one of its drugs.

Olin, the producer of chemical and metal products and ammunition, shed $⅝ to $33½ after its Greement to acquire Rockcor, the high technology group which manufactures small rocket engines. The plan could resolve a proxy battle by an investment group for Rockcor, which added $3⅞ to $19.

Among corporate reporters, Federal Express traded $⅛ higher at $34⅝, despite sharply lower nine-month figures while Allied Stores put on $½ to $54⅛ on its higher fourth-quarter figures.

LONDON

Pre-budget optimism fades away

EQUITIES slipped in London as investors lost their pre-budget optimism. Sterling's continued progress against the dollar and the main continental European currencies failed to support leading shares but helped government securities. The FT Ordinary index closed 7.1 down at 995.4.

Gilt values edged higher amid continued light demand in thin trading. The firm trend was maintained after the official close as new government funding was announced.

Chief price changes, Page 38; Details, Page 39; Share information services, Pages 40–41

HONG KONG

A TECHNICAL correction pushed Hong Kong share prices sharply lower and the Hang Seng index dropped 23.29 to 1,310.47.

The market opened on a weak note and remained unstable throughout the morning with institutional selling the main impetus.

Key shares traded included Bank of East Asia, which fell HK$1.40 to HK$21.4

SINGAPORE

A BROAD-BASED decline in Singapore stemming from selective selling and profit-taking brought the Straits Times industrial index 8.71 lower to 831.46.

Promet led the actives with a turnover of 892,000 and closed 9 cents lower at S$1.58. Haw Par, which announced the sale of a 27 per cent stake in Setron Malaysia, lost 9 cents to S$2.38.

CANADA

BASE METAL miners took the brunt of a sharp reversal in Toronto while gold issues managed widespread gains.

Campbell Red Lake traded C$¾ higher to C$25⅝, Dome Mines was C$⅛ firmer at C$10⅞ and Lac Minerals added C$½ to C$27¼.

Industrials moved against the weaker trend in Montreal as banks and utilities eased.

AUSTRALIA

A GENERALLY easier bias after Friday's Wall Street losses led to a mixed close in Sydney. The All-Ordinaries index closed 4.3 down at 790.2.

Oil shares went against the overall decline to close mostly higher. Santos rose 4 cents to A$5.54 and Woodside Petroleum rose 1 cent to 85 cents.

EUROPE

Frankfurt unscathed by profit-taking

AFTER last week's record-setting pace and signs early yesterday of a weaker dollar, most European bourses encountered sporadic profit-taking, except in West Germany, where a lively session again saw new highs.

Frankfurt hit a record level, with the Commerzbank index 6.31 up to 1,220.3, passing the previous peak set last Tuesday.

In steelmakers, Metallgesellschaft's higher profits but omission of a dividend for 1983-84 trimmed DM 5.50 off its share price to DM 270. Klöckner-Werke, which is clawing its way back into profit for 1985, also declined, dropping DM 2.50 to DM 79.70.

Linde, the heavy engineering group which has increased its dividend, slipped DM 7 to DM 417.

The motor sector was unsettled by confusion over new exhaust standards. Porsche slipped DM 30 to DM 1,333, VW slipped 40 pfg to DM 198.60, but BMW put on DM 2 to DM 384.50.

Banks ended slightly higher, and Commerzbank and Deutsche Bank put on DM 1 to DM 167.50 and DM 427, respectively.

During the session, Deutsche Bank had touched a high of DM 428.50.

Bonds closed as much as 25 basis points higher, although the tone was quiet and hesitant. The Bundesbank sold heavily, placing DM 70.3m worth of paper in the market against a sale of DM 28.4m on Friday.

Paris recouped early losses to end mixed. In stores Au Printemps was FFr 3.50 ahead at FFr 226.50 and Carrefour advanced FFr 17 to FFr 1,968.

L'Oreal shed FFr 26 to FFr 2,349, hile BSN-Gervais put on FFr 22 to FFr 2,402 and Club Mediterranée added FFr 4 to FFr 1,211.

Blue chips in **Amsterdam** recovered some of their losses in late trading after a slight upturn, but most stocks ended lower.

Royal Dutch shed 60 cents to Fl 202.20 and Unilever improved from a low opening level to end only Fl 2.30 off at Fl 350. Banks eased across the board with NMB Fl 3.40 lower at Fl 173.10 and ABN down Fl 1.50 at Fl 399.50.

The CBS Bond Index edged up 10 basis points to 102.4 while the average yield for state bond eased 8 per cent from 8.02 per cent on Friday.

Strong corporate results in **Zurich** continued to buoy the market and most stocks ended mixed to firmer. Traders tended to discount an annual 4.4 per cent rise in February wholesale prices, up slightly from 3.9 per cent the previous month.

Insurers edged ahead with Swiss Re up SwFr 25 to SwFr 9,650, while little interest was shown in the banking sector. Swiss Volksbank was unchanged at SwFr 1,470 and Swiss Bank edged SwFr 2 lower to SwFr 364.

Bonds were mostly steady, with some newer issues up 25 to 50 basis points, helped by a weaker dollar.

The end-of-the-month account prompted a technical downturn in **Brussels** where volume was low and trading calm. Bekaert, the wire and steel cord group, was unchanged at BFr 5,900 despite the appointment of a new chairman. Other industrials and some utilities tended lower.

In **Milan**, insurers continued to weaken and most prices ended mixed at the start of a new monthly account. RAS lost L600 to L64,900 and Generali dropped L645 to L40,105.

Stockholm ended lower, but underlying optimism about a further drop in domestic interest rates could inject a little enthusiasm later in the week. In a mixed **Oslo**, Borregaard suffered one of the sharpest falls of the session, dropping NKr 11 to NKr 369 amid plans to acquire the food sector of Nora Industrier.

Madrid rose slightly in quiet trading.

TOKYO

Slack trade enlivened by financials

STRONG buying interest in financial issues took share prices higher in Tokyo yesterday but trading was slack in the absence of fresh incentives, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow average rose 19.26 points to 12,506.64, having gained 55.12 at one stage to pass the all-time high of 12,509.01 recorded on March 4. Volume shrank from last Friday's 480m shares to 290m. Advances outnumbered declines 385 to 347, with 149 issues unchanged.

The Tokyo Stock Exchange index of all stocks listed in the first section gained 1.45 points to 1,000.10, the first time it has breached 1,000.

Slow trading reflected record-breaking margin debts and the dull performance on Wall Street at the end of last week.

Financial issues moved briskly, however, accounting for four of the five most active stocks. Yasuda Fire and Marine was the busiest with 11.46m shares changing hands, and surged Y30 to Y513. Yamaichi Securities, ranking third with 7.32m shares, jumped Y45 to Y785.

Tokio Marine and Fire, the fourth most active stock with 6.15m, added Y13 to Y897, while Nomura Securities, fifth with 6.07m, rose Y50 to Y1,270. Nikko Securities advanced Y30 to Y785 and Taisho Marine and Fire Y25 to Y480. Leading city banks were generally weaker, with Sumitomo Bank losing Y30 to Y1,800.

Some incentive-backed issues – those of companies thought to have strong business prospects – attracted buying interest. Sumitomo Metal Mining, the second most active issue with 10.58m shares traded, leaped Y60 to Y1,770, spurred by its gold development project in Kagoshima prefecture, southern Japan.

Daiichi Seiyaku, which plans to launch a new anti-bacterial drug in West Germany in May, moved up Y50 to Y2,060.

Sony added Y100 to Y4,820 on reports that the company would join forces with Siecor of the U.S. for optical-fibre cable sales in Japan. Casio Computer rose Y60 to Y1,820, but other blue chips were neglected.

On the bond market, investors remained on the sidelines, awaiting the announcement of a flash report on U.S. gross national product in the first quarter of this year. The yield on the benchmark 7.3 per cent government bonds, maturing in December 1993, fell to 6.825 per cent from Saturday's 6.845 per cent.

SOUTH AFRICA

THE BUDGET distracted most Johannesburg investors and left prices mixed in quiet trading, although gold issues ended on a firmer note.

Free State Geduld picked up 50 cents to R44 while Buffels added 25 cents to R72. Driefontein encountered some selling pressure and closed 50 cents off at R49.

Prices at 3pm, March 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 37

AMERICAN STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, March 18

Continued on Page 38

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued from Page 36

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
43 7/8	29 7/8	Wolwth	1.80	4.4	9	568	40 7/8	40 1/2	40 1/2	-1/4
61	42 1/2	Wolw	pf2.20	3.9		3	57 1/8	57 1/8	57 1/8	+3/4
5 1/4	2 3/8	WrldAr				1	3 3/8	3 3/8	3 3/8	
61	45 3/4	Wrigly	1.80a	3.1	10	145	58 1/2	57 3/4	58 1/2	
6 3/8	3 1/8	Wurlitzr				5	3 7/8	3 7/8	3 7/8	
18	10 3/4	WyleLb	.32	2.5	10	136	12 7/8	12 3/4	12 3/4	-1/4
23 3/8	16 3/4	Wynns	.60	2.7	8	40	22 1/4	21 3/4	22	-3/8
		X Y Z								
46 1/4	33 1/4	Xerox	3	7.0	17	3232	43 1/4	42 3/4	42 7/8	+1/8
51 3/8	45 1/4	Xerox	pf5.45	11		7	49 5/8	49 5/8	49 5/8	+7/8
30	24	ZaleCp	1.32	4.7	9	x15	28 3/8	28	28 1/8	-1/4
24 7/8	13 3/8	Zapata	.84	5.9	17	255	14 3/8	14 1/8	14 1/8	+1/8
58	30	Zayre	.40b	.7	14	186	55 1/2	55	55 1/2	-1/4
31 1/4	18 1/8	ZenithE			7	813	21 1/8	20 3/4	20 7/8	-1/8
21 7/8	14 3/8	Zero	s		19	54	20 1/4	19 3/4	20	-1/4
31 3/8	21 1/8	Zurnin	1.32	4.8	10	185	28	27 5/8	27 5/8	-3/8

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Mar. 18	Price Sch%	+ or —
Creditanstalt	240	....
Goesse	440	—18
Interunfall	468	—12
Laenderbank	240	....
Perlmooser	390	—5
Steyr-Daimler	169	—3
Veitscher Mag	385	+4

BELGIUM/LUXEMBOURG

March 18	Price Frs.	+ or —
B.B.L.	1,900	....
Banq. Int. A. Lux	6,200	+50
Bekaert B	5,900	....
Ciment CBR	2,690	....
Cockerill	279	—1
Delhaize	7,900	....
EBES	3,020	....
Electrobel	8,600	—40
Fabrique Nat	2,150	....
GB Inno BM	3,325	—45
GBL (Brux)	2,090	—25
Gevaert	4,230	—20
Hoboken	6,820	+20
Intercom	2,265	....
Kredietbank	8,600	....
Pan Hldgs.	11,400	—130
Petrofina	7,020	—10
Royale Belge	10,800	....
Soc. Gen. Banq.	3,400	—10
Soc. Gen. Belge	2,040	....
Sofina	7,750	—10
Solvay	4,340	—70
Stanwick Intl.	1,600	....
Tractionel	4,265	....
UCB	5,370	....
Wagon Lits	2,700	....

DENMARK

Mar. 18	Price Knr %	+ or —
Andelsbanken	296	....
Baltic Skand	625	....
CopHandelsbank	294	+1
D. Sukkerfab	540	....
Danske Bank	265	....
De Danske Luft	1,245	....
East Asiatic	162	—5
Forenede Brygg.	860	....
Forenede Damp.	103	+4
GNT Hldg	419	+4
I.S.S.B.	394	—6
Jyske Bank	560	+5
Novo Ind	1,545	—15
Privatbanken	234	—13
Provinsbanken	308	+1
Smidth (F)	225	—1
Sophus Berend	995	+15
Superfos	481	—2

FRANCE

March 18	Price Frs.	+ or —
Emprunt 4½% 1973	1645	—4
Emprunt 7% 1973	7,660	....
Accor	368	....
Air Liquid	619	—6
BIC	550	—2
Bongrain	1,835	—40
Bouygues	619	—3
BSN Gervais	2,402	+22
CIT-Alcatel	1,248	+7
Carrefour	1,968	+17
Club Mediter'n	1,811	+4
Cie Bancaire	599	—1
Cofimeg	273	+2
Damart	2,160	—101
Darty	1,225	—12
Dumex S.A.	690	—5
Eaux (Cie Gen)	578	....
Elf-Aquitane	237	—6
Essilor	3,055	+55
Gen. Occidentale	738	—17
Imetal	94.1	+1.15
Lafarge Coppee	433.4	—1.6
L'Oreal	2,349	—26
Legrand	2,180	—38
Maisons Phenix	229	+3
Matra S.A.	1,645	....
Michelin B.	924	—1
Midi (Cie)	2,221	+10
Moet-Hennessy	1,965	—10
Moulinex	108.5	—0.5
Nord Est	80.1	—1.4
Penod Ricard	701	—2
Perrier	530	—7
Petroles Fra.	268	+1
Peugeot S.A.	292.5	....
Printempt.Aus	326.5	+5.5
Radiotech	269.9	—1.6
Redoute	1,285	—10
Roussel-Uclaf	1,710	....
Sefimeg	325.5	+0.5
Skis Rossignol	1,970	—30
Telemech Elect.	2,455	+15
Thomson CSF	497	....
Valeo	226.5	—2.5

GERMANY

Mar. 18	Price Dm.	+ or —
AEG-Telef	111.6	+1.7
Allianz Vers	1051xr	—4
BASF	211.3	—0.2
Bayer	223.3	+0.3
Bayer-Hypo	332.8	+2.8
Bayer-Verein	326	—0.5
BHF-Bank	264	+2
BMW	384.5	+2
Brown Boveri	214.1	—0.4
Commerzbank	167.5	+1
Cont'l. Gummi	142	+3.3
Daimler-Benz	691	+2
Degussa	353	—0.5
D'sche Babcock	167.5	—3.3
Deutsche Bank	427	+1
Dresdner Bank	167xr	....
GHH	158.5	+3
Hochtief	471	+6
Hoechst	216	—0.6
Hoesch Werke	115.4	—1.6
Holzmann (P)	399	—4
Horten	176	—4
Hussel	288.5	—2.5
Karstadt	210	—1.5
Kaufhof	220.2	—4.5
KHD	266.5xr	....
Kloeckner	79.7	—2.5
Linde	417	—7
Lufthansa	189.5	+2.5
MAN	155	....
Mannesmann	160.5	+1.7
Mercedes Hld.	603	+2
Metallgesel	270	—5.5
Munech Rueck	1120	—20
Nixdorf	567.5	—5
Porsche	1333	—30
Preussag	284.8	+2.8
Rhein West Elect	150	—2
Rosenthal	248	—2
Schering	464	—7
Siemens	568	—7
Thyssen	105.8	—0.6
Varta	185	+1.5
Veba	185.5	—2.4
V.E.W.	121.6	....
Verein-West	313	....
Volkswagen	198.6	—0.4

ITALY

Mar. 18	Price Lira	+ or —
Banco Com'le	17,750	....
Bastogi-IRBS	226	+35
Centrale	3,475	....
Credito Varesino	3,495	+299
El-invest	4,185	....
Fiat	3,000	+20
Finsider	65	....
Generali Assicur.	40,105	—545
Italcementi	84,800	....
La Rinascenti	661	....
Montedis'n	1,485	+25
Olivetti	6,849	+59
Pirelli Co.	4,360	+40
Pereili Spa	2,228	+28
Snia BPD	2,890	—10
Toro Assic.	14,010	....
do Pref	10,790	....

NETHERLANDS

Mar. 18	Price Fls	+ or —
ACF Holding	200	—0.5
AEGON	186	—3
Ahold	226.5	—1.7
AKZO	113.3	—0.9
ABN	399.5	—1.5
AMEV	218.5	—1.5
AMRO	74.9	—0.2
Bredero Cert	150.9	—1.6
Bos Kalis Westm.	16.4	+0.2
Buehrmann-Tet.	88.8	+0.2
Calland Hldgs.	57	—0.4
Dordtsche Pet'm	179.5	—0.5
Elsevier-NDU	115.5	—0.3
Fokker	102	+0.7
Gist Broades	164.5	—2
Heineken	158.5	—0.5
Hoogovens	62.2	—0.6
Int Mueller	53.5	+0.5
KLM	61.4	—0.7
Naarden	46.6	+0.1
Nat Ned Celt	269.9	+0.1
Ned M'd Bank	173.1	—3.4
Nedlloyd	176	....
Oce Grinten	311.5	—0.5
Ommeren (Van)	30.3	....
Pakhoed	68.2	—0.4
Philips	62	—0.9
Robeco	76.3	—0.5
Rodamco	140.2	+0.4
Rolinco	69.1	—0.4
Rorento	44.3	—0.1
Royal Dutch	202.2	—0.6
Unilever	350	—2.5
VMF Stork	148	....
VNU	213	—1.1
West Utr Bank	104.2	—1.3

NORWAY

Mar. 18	Price Kroner	+ or —
Bergens Bank	145	—1
Borregaard	369	—11
Christiania Bank	145	+1
DenNorske Cred	159.5	—0.5
Elkem	143.5	—4.5
Kvaerner	180	—1
Norsk Data	402.5	—8
Norsk Hydro	105	—1.5
Storebrand	246	+1

SPAIN

Mar. 18	Price Pts%	+ or —
Bco Bilbao	340	....
Bco Central	313	....
Bco Exterior	205	+2
Bco Hispano	168	....
Bco Popular	380	—8
Bco Santander	350	....
Dragados	176	+1.5
Hidrola	86.2	+2.5
Iberduero	98.2	+0.7
Petroleos	148	+2.3
Telefonica	125.5	....

SWEDEN

Mar. 18	Price Kronor	+ or —
AGA	395	—2
Alfa-Laval	190	+2
ASEA (Free)	330	+10
Astra (Free)	390	+30
Atlas Copco	106	—2
Cardo (Free)	260	....
Cellulosa	122	....
Electrolux B	322	—2
Ericsson	285	—3
Esselte	365	+15
Mo och Domsjo	243	....
Pharmacia	213	—1
Saab Scania Free	435	....
Sandvik	420	+5
Skandia	307	+2
Skan Enski'da	51	—0.5
SKF	214	....
St Kopparbergs	138	—2
Sven Handlesbn.	167	—2
Swelvosh Match	227	....
Volvo B (Free)	297	—2

SWITZERLAND

Mar. 18	Price Frs.	+ or —
Alusuisse	901	—9
Bank Leu	3,625	—150
Brown Boveri	1,695	+5
Ciba Geigy	3,050	—15
do. (Part Certs)	2,500	+5
Credit Suisse	2,400	—10
Elektrowatt	2,790	+15
Fisher(Geo.)	765	+5
Hoff-Roche PtCts	90,000	+175
Hoff-Roche 1/10	8,975	....
Jacobs Suchard	6,475	+35
Jelmoli	1,955	+25
Landis & Gyr	1,700	+30
Nestle	6,570	—10
Oer-Buehrle	1,495	+15
Pirelli	504	+1
Sandoz (Br)	7,950	....
Sandoz (PtCts)	1,415	....
Schindler (PtCts)	810	+15
Sika	1,120	....
Surveillance	4,300	+10
Swissair	1,130	....
Swiss Bank	364	—2
Swiss Reinsce	9,650	+25
Swiss Volksbk	1,470	....
Union Bank	3,640	—5
Winterthur	3,755	—5
Zurich Ins	20,500	+50

AUSTRALIA

Mar. 18	Price Aust $	+ or —
ANZ Group	4.33	—0.07
Alliance Oil Dev.	1.06	+0.01
Ampol Pet	1.83	—0.02
Ashton	0.94	....
Aust. Cons. Ind.	1.88	—0.04
Aust. Guarantee	2.36	—0.05
Aust. Nat. Inds.	2.64	—0.01
Aust. Paper	2.48	....
Bell Group	6.7	—0.06
Bell Res.	6.5	+0.1
Bond Corp Hldgs	1.5	+0.02
Boral	3.26	—0.04
Bougainville	1.82	—0.06
Brambles Inds	3.7	+0.05
Bridge Oil	2.08	—0.02
B.H. Prop	6.66	—0.04
CRA	5.72	—0.08
CSR	2.68	—0.04
Castlemaine Tys.	4.7	—0.1
Coles (C.J.)	3.7	....
Comalco "A"	2.56	+0.03
Consolidated Pet	0.43	....
Costain Aust.	1.6	....
Dunlop Aust.	2.1	—0.05
Elders IXL	3.14	—0.02
Energ Res.	1.45	+0.02

AUSTRALIA (continued)

Mar. 18	Price Aust. $	+ or —
Gen. Prop. Trust	2.13	—0.02
Hardie (James)	3	—0.1
Hartogen Energy	2.2	—0.1
Herald W'y Times	3.95	+0.03
ICI Aust.	1.88	....
Jimberlana F.P.	0.24	....
Kia Ora Gold	0.12	....
Lend Lease	5.9	—0.1
MIM	2.65	—0.07
Mayne Nickless	3.20	....
Myer Emporium	1.80	....
Nat. Aust. Bank	3.42	—0.05
News	14	—0.1
Nicholas Kiwi	2.0	....
North Bkn Hill	2.25	....
Oakbridge	0.78	....
Pancont'l	1.26	....
Poineer Conc.	1.61	+0.01
Poseidon	2.95	—0.05
Queensland Coal	1.41	....
Reckitt & Coln.	3.4	....
Repco	1.19	....
Santos	5.54	+0.04
Smith (Howard)	3.87	+0.07
Thos. Natwide	1.85	—0.02
Tooth	5.8	....
Vamgas	3.30	+0.05
Western Mining	3.52	—0.05
Westpac Bank	3.33	—0.01
Woodside Petrol	0.85	+0.01
Woolworths	3.22	—0.03
Wormald Intl	3.7	+0.1

HONG KONG

Mar. 18	Price H.K.$	+ or —
Bank East Asia	21.4	—1.4
Cheung Kong	12.9	—0.2
China Light	13.6	—0.2
Evergo	1.32	—0.06
Hang Seng Bank	45.25	—1.5
HK Electric	7.1	—0.05
HK Kowloon Wh.	5.2	—0.05
HK Land	4.65	—0.02
HK Shanghai BK.	8.2	—0.15
HK Telephone	66.5	—2.0
Hutchinson Wpa.	18.8	—0.4
Jardine Math	8.45	—0.2
New World Dev.	5.7	—0.15
Orient O'seas	2.32	....
Oseas Trust Bk	2.5	—0.05
SHK Props	8.55	—0.15
Shell Elect.	1.67	—0.02
Swire Pac A	20.5	—0.4
TV—B	5.8	....
Wheel'k Mard A.	7.15	—0.15
Wheel'k M'time	1.10	....
World Int. Hldns.	1.75	—0.08

JAPAN

Mar. 18	Price Yen	+ or —
Ajinomoto	1,100	+20
Alps Electric	2,220	—10
Amada	1,280	+20
Asahi Chem	830	—9
Asahi Glass	891	....
Bridgestone	510	+5
Canon	1,450	+10
Casio Comp	1,820	+60
Chugai Pharm	1,030	—10
Citizen	552	—7
Daiei	620	....
Dai Nippon Ptg	1,040	+10
Daiwa House	558	+8
Ebara	421	—2
Eisai	1,900	—20
Fanuc	13,300	+120
Fuji Bank	1,630	—20
Fuji Film	1,830	—20
Fujisawa	1,110	+10
Fujitsu	1,320	+10
Green Cross	2,900	—100
Hasegawa	370	+1
Heiwa Real Est	620	+4
Hitachi	860	—10
Hitachi Credit	1,100	—10
Honda	1,470	....
House Food	682	—8
Hoya	2,280	+30
Itoh (C)	336	—4
Ito. Yokado	2,430	+10
Iwatsu	1,060	....
JACCS	325	+2
JAL	5,000	....
Jusco	685	+15
Kajima	277	—1
Kao Soap	842	+9
Kashiyama	596	+2
Kirin	563	+3
Kokuyo	885	+5
Komatsu	449	+10
Konishiroku	675	+8
Kubota	324	+1
Kumagai	581	+11
Kyoto Ceramic	6,100	—10
Maeda Const	485	+5
Muakino Milling	1,350	+40
Myakita	1,120	—10
Marubeni	302	—3
Marudai	554	+3
Marui	980	—10
MEI	1,620	+10
M'ta Elec Works	806	+1
M'bishi Bank	1,580	....
M'bishi	525	—4
M'bishi Elect	396	—3
M'bishi Estate	587	—5

JAPAN (continued)

Mar. 18	Price Yen	+ or —
MHI	269	....
Mitsui	331	—4
Mitsui Estate	664	+4
Mitsukoshi	421	—9
NGK Insulators	1,020	....
Nihon Cement	227	—4
Nippon Denso	1,460	—10
Nippon Elect	1,180	—10
Nippon Express	357	....
Nippon Gakki	2,110	—10
Nippon Kokan	136	—1
Nippon Oil	823	—6
Nippon Seiko	663	+3
Nippon Shimpan	541	+8
Nippon Steel	151	—2
Nippon Suisan	332	—1
NTV	11,200	+200
Nippon Yusen	242	+1
Nissan Motor	641	+1
Nisshin Flour	465	—2
Nisshin Steel	171	....
Nomura	1,270	+50
Olympus	1,250	....
Orient Leasing	3,090	—10
Pioneer	2,830	....
Renown	639	+5
Ricoh	909	—1
Sankyo	1,230	+10
Sanyo Elect	496	+2
Sapporo	414	+1
Sekisui Prefab	561	....
Seven-Eleven	8,450	+50
Sharp	1,060	....
Shimadzu	812	—9
Shionogi	709	+3
Shiseido	1,080	....
Sony	4,120	+100
Stanley	1,040	—20
S'tomo Bank	1,800	—30
S'tomo Elect	923	....
S'tomo Marine	670	+11
S'tomo Metal	153	....
Taihei Dengyo	474	—6
Taisei Corp.	204	—1
Taisho Pharm	1,080	—10
Takeda	824	+4
TDK	6,200	+70
Teijin	433	—3
Teikoku	640	+5
Tokyo Marine	897	+13
TBS	773	+11
Tokyo Elect Pwr	1,640	....
Tokyo Gas	152	+2
Tokyo Sanyo	750	+3
Tokyo Style	718	+9
Tokyu Corp	313	+2
Toppan Print	860	—3
Toray	449	—1
Toshiba Elect	411	....
TOTO	660	+9
Toyo Seikan	889	—1
Toyota Motor	1,340	—10
Victor	2,260	....
Wacoal	721	+1
Yamaha	814	+16
Yamanouchi	4,090	—80
Yamazaki	628	—2
Yasuda Fire	513	+30
Yokogawa Bdge.	415	+3

SINGAPORE

Mar. 18	Price $	+ or —
Boustead Hldgs.	1.73	—0.05
Cold Storage	2.65	—0.04
DBS	6.15	....
Genting	5.75	—0.05
Haw Par. Bros.	2.38	—0.09
Hong Leong Fin.	3.06	—0.08
Inchcape Bhd.	2.42	—0.02
Keppel Shipyard	1.73	....
Malay Banking	6.2	—0.05
Malay Utd. Ind.	2.45	—0.05
Multi Purpose	0.97	—0.02
OCBC	9.5	—0.25
OUB	3.76	—0.08
Public Bank	1.64	—0.02
Sime Darby	1.95	—0.01
Singapore Press	6.30	+0.05
Straits Trdg.	4.44	....
Tat Lee Bk	2.79	—0.01
UOB	4.46	....

SOUTH AFRICA

Mar. 18	Price Rand	+ or —
Abercom	1.25	—0.05
AE&CI	6.75	....
Allied Tech	48	....
Anglo Am Coal	42.0	....
Anglo Am Corp	22.5	....
Anglo Am Gold	162.5	....
Barclays Bank	14.0	....
Barlow Rand	9.7	....
Buffels	72	+0.25
CNA Gallo	2.25	....
Currie Finance	3.45	—0.05
De Beers	8.95	—0.17
Driefontein	49	—0.5
FS Geduld	44	+0.5
Gold Fields SA	29	+0.25
Highveld Steel	3.95	....
Nedbank	10	+0.05
OK Bazaars	13.0	....
Protea Hldgs.	1.25	+0.05
Rembrandt	32.5	....
Rust Plat	15.35	+0.25
Safren	12.9	....
Sage Hldgs	6.50	....
SA Brews	5.95	....
Smith (AG)	20.50	....
Tongaat Hulet	5.9	+0.1
Unisec	4.65	....

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Prices at 2.30pm
March 18

Sales	Stock	High	Low	Close	Chng
2800	Czar Res	156	154	156	+2
24768	Daon Dev	420	410	415	
2600	Denison A p	$13	12⅞	12⅞	—⅛
4200	Denison B f	$12½	12⅝	12⅝	
1000	Lacana	$11½	11½	11½	
1511	LL Lac	$29½	29	29½	+½
2250	Loblaw Co	$18	18	18	—⅛
1000	MICC	240	240	240	+5
100	Teck Cor A	$11⅜	11⅜	11⅜	+⅛
5100	Teck B f	$11⅛	11⅛	11⅛	+⅛
400	Teledyne	$12⅛	12	12⅛	+⅛
1352	Tex Can	$32	31¾	32	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONTREAL

Closing prices March 15

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Total Sales 1,764,264 shares

FINANCIAL TIMES

is now available early Monday morning in major Scandinavian towns

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 46

LONDON

Chief price changes

(in pence unless otherwise indicated)

RISES

Tr 13% 2000	£114¼	+¼
AAH	139	+11
Anglo Amer. Gold	£77	+2½
Anvil Petroleum	62	+12
Bilton (Percy)	232	+ 8
Bodding Brew	79	+ 6
Brown (Matthew)	407	+84
Cambridge Elect.	325	+ 8
Charterh Pet.	111	+12
Clayton, Son	72	+10
Cons. Gold Fields	495	+17
Daejan	370	+30
Electronic Mach	49	+ 8
Floyd Oil	103	+ 8
Ford (Martin)	46	+ 8
Ingall Inds.	93	+ 5
Markheath Sec.	90	+15
Muirhead	156	+10
Prestwich	131	+24
Sale Tilney	508	+33

FALLS

Allied Ir Banks	112	—20
Bank of Ire	240	—13
Barclays	573	—13
Horizon Tra	135	—10
ICI	800	—15
Invent Energy	975	—50
Lon & Manc Grp.	667	—18
Lowe How-Spink	290	—18
Mercant House	299	—28
S. & Newcastle	137	— 6

AMERICAN STOCK EXCHANGE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev.
Continued from Page 37										
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MARKET REPORT

Equity leaders slip back as markets prepare to await Chancellor's Budget plans

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Feb 25	Mar 7	Mar 8	Mar 18
Mar 11	Mar 21	Mar 22	Apr 1
Mar 25	Apr 11	Apr 12	Apr 22
Apr 15	Apr 25	Apr 26	May 7

* "New-time" dealings may take place from 9.30 am two business days earlier.

Pre-Budget optimism faded in London stock markets as investors sat tight yesterday awaiting the Chancellor's Budget proposals, due to be delivered at 3.30 pm today. The upshot was a rather inactive equity trading session with interest generally confined to situation issues and stocks recommended in the weekend Press columns. Sterling's extended progress against both the dollar and leading Continental currencies failed to support leading shares but gave Government securities a modest boost.

Continued light demand in thin trading conditions nudged Gilt values higher and the firm trend was maintained after the official close following the announcement of new Government funding. The authorities propose to issue £750m via a £500m tranche of Conversion 9¾ per cent 2001 and a £250m tranche of Exchequer 11 per cent 1991; dealings in both stocks start tomorrow morning.

Selected longer-dated Gilts had turned hesitant in the afternoon on thoughts of possible funding but hardened again on receipt of a more favourable Public Sector Borrowing Requirement; £250m was repaid in February. However, sterling's late rise to $1.1065 was not much help.

The industrial and financial sectors began slightly easier on U.S. market influences. Some nervous sales of blue chip issues were reported, but the business was of little volume and prices steadied only to slip again later. Lack of follow-through to Friday's buying spree was held largely to blame. Dealers marked values down hoping to encourage holders to part with stock, but their tactics often went unrewarded.

Situation stocks claimed attention and none more so than Matthew Brown. After an abortive market raid, assumed to be on behalf of Scottish and Newcastle Breweries, the latter launched a bid which was immediately rejected by Matthew Brown. Other good features were spread across markets but the overall trend was illustrated in a closing fall of 7.1 to 995.4 in the FT Ordinary share index.

Allied Irish down

The Irish Government's rescue of Insurance Corporation of Ireland and the resulting write-off by its parent Allied Irish Banks of £76.9m, depressed the latter which were initially sold down to a 1984-85 low of 105p. However, the shares rallied on the chairman's assurance that the bank will still achieve its current year profit forecast of £71m and closed at 112p, down 20 on balance. Bank of Ireland dropped 13 to 240p, after 230p, in sympathy. Budget uncertainties unsettled the major clearing Banks which drifted lower on small offerings and lack of support. Barclays gave up 13 at 573p and Lloyds 8 at 548p. NatWest cheapened 6 to 610p. Elsewhere, Standard Chartered declined 10 to 460p following the South African Budget proposals and Hong Kong and Shanghai, which announced disappointing preliminary figures last week, lost 4 more at 95p. Guinness Peat, at 97p, shed 5 of last week's good rise which greeted news that Mr Michael Waring, a South African businessman, had acquired a controlling stake in the company.

On the eve of the Budget, Life Insurances gave further ground on fears of possible pension tax legislation. Closing falls ranged to double-figures in places with London and Manchester notable for a reaction of 18 to 667p. Prudential lost 11 to 546p and Britannic 10 to 653p. Sun Life came back 8 to 757p and Legal and General 7 to 630p.

Matthew Brown, the Blackburn-based brewer and the subject of considerable takeover speculation in the past few months, advanced strongly to a new peak of 415p before settling 84 up on balance at 407p following share-exchange terms from Scottish and Newcastle, 6 lower at 137p, after 136p. The bid, which drew a swift rejection from Brown, was launched mid-morning after a dawn raid on Brown's shares by brokers Hoare Govett proved to be unsuccessful. Other regional counters also fared well with fellow North-Western concern Boddingtons closing 6 higher at 79p in front of today's preliminary figures.

Leading Buildings encountered occasional selling, but falls were generally modest. Blue Circle slipped 5 to 510p, as did BPB Industries, to 250p. Profit-taking clipped 4 from recently-firm Tarmac at 504p and a penny from Rugby Portland Cement, at 127p. Barratt Developments remained nervous awaiting today's interim results and eased to a 1984-85 low of 64p prior to closing unchanged at 66p. Selected secondary issues managed to buck the dull trend with brick concern Ibstock Johnsen rising 12 to 285p on talk of a broker's upgraded profits forecast. Revived speculative buying lifted John Finlan 6 to 88p, while demand ahead of tomorrow's half-timer helped John Maunders gain 8 to 128p.

ICI drifted progressively lower on lack of interest to close 15 down at the day's lowest of 800p.

FINANCIAL TIMES STOCK INDICES

	Mar. 16	Mar. 15	Mar. 14	Mar. 13	Mar. 12	Mar. 11	year ago
Government Secs.	80.30	80.26	79.91	80.15	80.41	80.65	83.10
Fixed Interest	84.01	83.87	83.86	83.97	83.80	83.65	86.81
Ordinary	995.4	1002.5	990.1	987.4	990.4	989.2	893.1
Gold Mines	481.7	479.9	485.9	484.1	481.7	475.5	694.9
Ord. Div. Yield	4.55	4.52	4.57	4.56	4.55	4.55	4.55
Earnings, Yld.% (full)	11.25	11.16	11.28	11.33	11.31	11.30	9.40
P/E Ratio (net) (*)	10.82	10.91	10.79	10.73	10.75	10.75	12.86
Total bargains (Est.)	26,639	28,420	24,164	26,804	27,259	28,834	31,525
Equity turnover £m.	—	411.65	395.28	387.26	374.93	694.74	414.50
Equity bargains	—	22,581	21,095	22,521	24,569	25,657	28,641
Shares traded (ml)	—	204.1	190.6	190.8	214.4	291.2	282.1

10 am 1000.7. 11 am 999.3. Noon 995.9. 1 pm 995.2.
2 pm 994.3. 3 pm 994.3.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=10.46.

HIGHS AND LOWS

—	1984/85 High	1984/85 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.77 (8/1/84)	74.72 (30/7/84)	127.4 (9/1/35)	49.18 (6/1/75)
Fixed Int.	87.48 (14/5/84)	80.43 (30/7/84)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.5 (22/1/85)	755.3 (23/7/84)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	711.7 (9/5/84)	439.5 (25/1/85)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	Mar. 15	Mar. 1
Daily		
Gilt Edged Bargains	152.0	137.4
Equities Bargains	146.3	136.7
Value	832.0	799.0
5-day Average		
Gilt Edged Bargains	157.7	155.3
Equities Bargains	150.9	157.2
Value	874.7	921.1

Martin Ford wanted

In sharp contrast to Friday's hectic proceedings, leading Stores passed a subdued pre-Budget session. Woolworth, the subject of much of Friday's activity, eased 10 to 680p. Secondary issues also displayed caution, although a couple of noteworthy features emerged. Foremost on this front was Martin Ford which advanced strongly to 48p before settling a net 8 higher at 46p following a common to Sumrie Clothes, 52p, and Milletts, 123p.

Among Shoe and Leather issues, Pittard rose 8 to 116p, after 118p following the sharply increased full-year earnings.

Thorn EMI remained friendless, falling 15 more to 408p, after 403p. Among other quietly dull Electrical leaders, BICC gave up 3 to 230p ahead of tomorrow's annual results and British Telecom cheapened 2 to 135p; the latter's third-quarter figures are scheduled for Thursday. Elsewhere, Electronic Machine, at 49p, and Muirhead, at 156p, advanced 8 and 10 respectively in response to "buy" recommendation in the weekend Press. Gains of 6 were revived speculative buying. Cambridge Electronic reflected good results with a rise of 8 to 325p, after 332p, while sharply higher profits and a proposed 400 per cent scrip-issue took Systems Designers up 15 to 550p.

Losses in the Engineering leaders were limited to a few pence at the end of a much quieter trading session. Secondary issues, however, recorded some noteworthy movements. Clayton Son rose 10 to 72p following a flurry of speculative demand, while Press mention ahead of Thursday's preliminary statement left Bronx 3 up at 18p. Also reflecting newspaper comment, C. and W. Walker, 29p, and Folkes Hefo, 28½p, rose 2 apiece. Metalrax improved 3 to 60p in response to the annual results and proposed one-for-ten scrip issue.

before settling 8 to the good at 308p.

Horizon Travel, a firm counter on Friday following news of a joint venture with Bass, came [illegible] and fell 10 to 135p. Elsewhere in the Leisure sector, renewed demand lifted Pineapple Dance Studios 9 to 70p. Riley Leisure continued to attract buyers and added 3 more to 56p, while Tottenham Hotspur improved 4 to 73p.

Among Foods, Barker and Dobson gave up ¾ to 8½p; the annual results are expected shortly, while the half-year loss and dividend omission left Chambers and Fargus ½ cheaper at 27½p.

Sale Tilney good

Leading miscelleaneous industrials held up reasonably well, although some popular stocks tended to drift back on scattered offerings. BTR fell 10 to 738p and Reed International a like amount to 590p. Elsewhere, Sale Tilney featured a jump of 33 to 508p in response to the preliminary statement and proposed two-for-one scrip issue. Weekend Press mention enlivened interest in AAH, which advanced 11 to 139p, while S. Pearson, reflecting buying in anticipation of the April 2 preliminary figures, rose 12 to 712p. Prestwich advanced 24 to 131p on the good interim statement. Details of the joint agreement with Bellway to acquire Falmouth Shiprepairs left Appledore 3 firmer at 122p. Bellway, however, closed a penny off at 115p. Ingall Industries moved up 5 to 93p, compared with 80p cash bid per share from the Greater Midland Co-operative Society. Cornell were favoured at 243p, up 13, and Bridon continued to make headway, closing 4 higher at 143p. "Take-profits" advice left Stonehill 7 lower at 104p but NMW, which announced on Friday that it had rejected a bid approach, improved to 316p.

Movements in Publishers were usually against holders. Fleet Holdings, the subject of considerable speculative attention recently, reacted 10 to 282p in the wake of cautious weekend comment, while Associated Newspapers also gave up 10, to 835p. Among Paper/Printings, Associated Paper featured with a fresh rise of 7 to 210p. Advertising counters were irregular. Press comment lifted London and Continental 8 to 152p and Formdesign 7 to 142p, but "take-profits" advice left Howard-Spink 18 off at 290p.

Hopes of capital gains tax reform in the Budget continued to attract buyers to the Property sector. Secondary issues, however, stole the limelight, with residential property developers well to the fore. Daejan stood out with a gain of 30 at 370p, while Mountview Estates rose 15 to 335p and Percy Bilton moved up 8 to 232p. Bradford rose 10 to 410p and Warner Estate 5 to 605p. Elsewhere, Press comment stimulated further demand for Rosehaugh, up 55 more to 925p in a restricted market. The board's reassuring statement on current trading helped recently-dull Markeath rally 15 to 90p.

Exco International, firm recently following news of the tentative tie-up between its Telerate subsidiary and Imnet, encountered profit-taking and shed 8 to 715p; the preliminary figures are scheduled for next Monday. Elsewhere in Financials, Mercantile House turned reactionary and dipped to 285p before settling a net 26 off at 299p on poor third-quarter figures from Oppenheimer.

Anvil sharply higher

Leading Oils took a back seat ahead of today's Budget and it was left to the second-line issues and speculative stocks to provide the major interest in the sector. Widespread comment in the weekend Press suggesting a North Sea oil discovery in Block 29/8-A boosted Charterhouse Petroleum 12 to 111p and left Premier Consolidated a couple of pence harder at 50p, while exploration hopes and vague bid rumours lifted Anvil Petroleum 12 to 62p. Talk of a possible bid from Invest Energy saw Floyd Oil move up 8 to 103p; the former dropped 50 to 975p. Petranol touched extremes of 290p and 275p in the wake of the sharply higher preliminary profits and dividend before settling unchanged on balance at 280p, but further consideration of the near £21m rights issue unsettled Jackson Exploration, which closed 5 off at 80p. KCA Drilling attracted support and improved 5 to 25p following the preliminary results.

Golds rally

The South African Budget proposals and a sharp downturn in the dollar enabled the gold mining sectors of mining markets to close on a firm note. Golds opened the day a shade easier, reflecting the firmness of sterling and general nervousness ahead of the South African Budget. However, news that the South African Government is to increase the surcharge on gold mining taxation from 20 to 25 per cent was regarded as mildly bullish — dealers were expecting an increase of up to 15 per cent. The dollar's further weakness then gave a major boost to the bullion price which came within a fraction of breaching the $300 an ounce level and Gold shares made good progress in response to sustained American buying.

The Gold Mines index rose 1.8 to 481.7 while bullion was finally $4.25 up on balance at $298.75 an ounce.

The rally in Golds was clearly illustrated by Amgold's performance; initially depressed at £73 the shares revived strongly after-hours to close with a £2½ gain at £77.

Platinums, on the other hand, gave ground following reports of a 15 per cent surcharge on mines other than golds. Impala were finally 30 off at 900p and Rustenburg dipped 20 to 685p. De Beers ended the day 4 cheaper at 408p.

Financials provided a firm feature in Consolidated Gold Fields which jumped 17 to 495p following the recovery in Golds and the sharp rise in bullion.

A subdued session in London equities restricted volume in Traded Options. Total contracts struck amounted to 8,597. The FT-SE 100 index contract accounted for 543 calls and 375 puts. Elsewhere, British Telecom remained lively ahead of Thursday's third-quarter figures and recorded 2,472 calls and 259p. Jaguar, scheduled to announce annual results on the same day, attracted 466 calls and 107 puts. A lively two-way business developed for Marks and Spencer with 242 calls and 245 puts transacted.

FRIDAY'S ACTIVE STOCKS

FRIDAY'S ACTIVE STOCKS
Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Fri. close	Day's change
NMW Cmptrs.	20	300	+20
Woolworth	18	690	+41
BTR	17	743	+23
BP	17	535	+ 7
Sedgwick	16	410	+25
Low and Bonar	15	415	+40
Reuters B	15	383	+15
Royal Ins'nce	14	600	+13
Royal Ins'nce	14	760	−15
Shell Transport	14	760	−15
GUS A	13	754	+27
Falcon Res.	12	465	− 3
Genl. Accident	12	585	+25
Hanson Trust	12	224	+ 7

NEW HIGHS AND LOWS FOR 1984/5

NEW HIGHS (101)

BRITISH FUNDS (4)
BREWERS (2)
BUILDINGS (6)
CHEMICALS (1)
STORES (8)
ELECTRICALS (4)
ENGINEERING (9)
FOODS (1)
INDUSTRIALS (20)
INSURANCE (6)
LEISURE (4)
MOTORS (3)
NEWSPAPERS (2)
PAPER (3)
PROPERTY (10)
SHOES (1)
TEXTILES (3)
TRUSTS (12)
OILS (2)

NEW LOWS (18)

BANKS (2)
Allied Irish, Bank of Ireland
BUILDINGS (2)
Barratt Dvlpts., Warrington (Thos.)
ELECTRICALS (4)
Crystalate, Imtec, DJ Security Alarms, Memory Computer
ENGINEERING (1)
Belgrave Hldgs.
INDUSTRIALS (4)
Bestobell, CSR, Brengreen, V.W. Thermax
LEISURE (1)
Spectrum
PROPERTY (1)
Gilbert House Invs.
OILS (1)
Bridge Oil
MINES (2)
Indian Ocean Res. (1982), North Kalgurli

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment letters or fully-paid. ‖‖ Introduction. ✱ Unlisted Securities Market. § Placing price. T Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). † Comprising 100 Prf. and one Ptg. share. ‡ Comprising one 11 per cent Cnv.Uns.Ln stk. and one Warrant. ● With Warrants attached. ‡‡ Units comprising one New Ord., four New Pref. and one Warrant. Φ Figures or report awaited.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Mar 18	Mar 29	June 27	July 8
Apr 1	April 19	July 11	July 22
Apr 1	May 3	July 25	Aug 5

For rate indications see end of Share Information Service

Stocks favoured for the call included Carr Boyd, Premier Oil, John Brown, C. H. Bailey, Blackwood Hodge, Falcon Resources, Hong Kong Land, Debenhams, Shaw Carpets, Anvil Petroleum, Jardine Matheson, Barratt Developments, Hawtin, United Biscuits, Charterhouse Petroleum, Plessey, Yelverton, Epicure and Marley. Puts were taken out in Bristol Evening Post, Barker and Dobson, Riley Leisure and Waring and Gillow, while double options were transacted in Debenhams, Harold Ingram and Burmah Oil.

ACTIVE STOCKS

ACTIVE STOCKS
Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Allied Irish Banks	112	−20
BAT Industries	375	− 1
Brown (Matthew)	407	+84
Hogg Robinson	301	− 5
Jaguar	357	− 6
Muirhead	156	+10
Petranol	280	—
Prudential	546	−11
Reed International	590	−10
Riley Leisure	56	+ 3
Scottish and Nwcstle.	137	− 6
Sedgwick	407	− 3

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	57	5	43
Corpns. Dom. and Foreign Bonds	25	8	40
Industrials	277	307	858
Fin. and Props.	77	117	354
Oils	30	28	65
Plantations	2	8	7
Mines	40	44	94
Others	27	127	65
Totals	535	644	1,526

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Mon March 18 1985

[illegible]

FIXED INTEREST

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jly.	Calls Oct.	Puts Apr.	Puts Jly.	Puts Oct.
B.P. (*533)	460	80	95	108	2	6	10
	500	47	62	72	6	14	22
	550	17	31	48	32	40	48
	600	4½	20	30	70	75	80
Cons. Gold (*494)	460	45	60	74	5	10	16
	500	23	32	45	22	30	37
	550	6	16	26	60	62	70

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
Imperial Gp. (*185)	160	31	38	—	2	3	—
	180	17	22	27	7	10	13
	200	10	15	20	19	26	29
	220	2½	9	13	38	43	46
LASMO (*338)	300	45	52	—	5	8	—
	330	30	38	48	17	20	27
	360	17	28	33	37	40	47
	390	6	16	20	63	68	72

[illegible]

LONDON SHARE SERVICE

AMERICANS—Cont.

1984-85 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
22¾	14½	Amer Medical Int $1	21¼	-½	60c	—	2.5
59¾	20¾	Amer. Nat. Res. $1	58¾	-⅜	$1.41	—	2.2
20⅝	10¼	American T. & T. $1	19¾	-½	$1.20	—	5.6
79½	43¾	Ameritech $1	75½	-¼	$6.00	—	7.2
25	15½	Amfac	24¼	-⅜	$1.44	—	5.3
47p	16½p	♦AridTech	41½p	.....	—	—	—
18½	10¼	Bankamerica $1⅝	17½	-¼	$1.52	—	7.8
60½	27½	Bankers N.Y. $10	54⅝xd	-1¾	$2.70	—	4.4
12¼	19p	BASIX Corp.	10⅝xd	-¼	12c	—	1.0
80¾	46¼	Bell Atlantic $1	75⅜	-1⅛	$6.40	—	7.6
34¼	19½	Bellsouth $1	33¼xd	-¼	$2.60	—	7.1
20⅞	12	♦Beth Steel $8	15⅞	+⅛	40c	—	2.4
24	11⅞	Bowater Inc.	21⅝	+⅝	72c	—	3.0
40¼	19¾	Brown'g-Fer. 16⅔c	37¾	-⅝	$1.08	—	2.6
37¾	16¾	Brunswick Corpn $	34¼	-⅝	$1.00	—	2.6
875p	405p	♦Business Computer	468p	.....	—	—	—
39⅞	24¼	CPC Intnl. 25c	38½xd	-1	$2.20	—	5.1
25	14¼	CSX Corp U.S.$1.00	21⅝	-½	$1.04	—	4.3
16¼	10½	CalFed Inc $1.00	14	-½	32c	—	2.1
65¼	39¾	Campbell Soup 60c	63⅝	-1⅛	$2.50	—	3.5
36½	24¼	Caterpillar Tractor $	28⅜	-⅞	50c	—	1.6
12⅞	643p	Cenergy Corp. 25c	764p	-15	1c	—	—
52¼	27¼	Chase M'htn $12.5	46⅞	-1⅛	$3.65	—	7.0
38¼	17¼	Chemical New York	34½xd	-1	$2.36	—	6.2
34½	22¾	Chesebrough-Pond's $1	29	-1⅛	$1.92	—	6.0
32¼	15½	Chrysler $6¼	32	-⅛	$1.00	—	2.8
42¾	29⅞	Citicorp $4	37⅞xd	-⅝	$2.06	—	4.9
23½	14¾	Colgate-P. $1	21½	-⅜	$1.28	—	5.4

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

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Building Societies

Public Board and Ind.

Financial

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DRAPERY AND STORES

DRAPERY & STORES—Cont.

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ENGINEERING—Continued

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INDUSTRIALS—Continued

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LEISURE—Continued

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Finance, Land, etc

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Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

MINES—Continued

Finance

Australians

Tins

Miscellaneous

75	31	♥Anglo Utd. Dev.	46	.....	—	—	—
410	155	♥Centennial Min'ls.	205	−10	—	—	—
175	70	♥Colby Res Corp.	90	.....	—	—	—
955	450	Cons. Murch. 10c	450	.....	10100c	1.4	10.8
40	25	♦Emess Int. Ir10p	36		—	—	—
252	150	Hampton Areas 10p	193	+6	3.75	2.1	2.6
260	140	♥Highwood Res.	225	−10	—	—	—
£24½	£16	Homestake Mining $1	£20¼	−1⅛	Q20c	—	0.9
295	135	♥McFinley Red Lake	245	...	—	—	—
260	101	♥Masto Explorations	260	+20	—	—	—
55	23	♥New Sabina Res C$1	35	−2	—	—	—
365	220	Northgate C$1	310	...	—	—	—
718	500	RTZ	645	+2	118.0	2.7	4.0
£155½	£113½	Do. 9½pcLn '95-2000	£101½	−1	Q9½%	35.4	f6.8
£13½	850	♥Tara Explin $1	£12¾	...	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✝ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- § Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- Ŧ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E. ratio usually provided.
- ¶ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. R Gross. T Figures assumed. Z Dividend total to date.

Abbreviations. xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p	98	.....	Arnott	170	.....
Craig & Rose £1	£10	.....	CPI Hldgs	57	.....
Finlay Pkg. 5p	58	.....	Carrol Inds.	111	.....
Higsons Brew	118	.....	Dublin Gas	60	.....
Holt (Jos) 25p	800	.....	Hall (R. & H.)	45	.....
IoM Stm. £1	130	.....	Heiton Hldgs.	16½	.....
IRISH			Irish Ropes	40	.....
Exch. 12% 1985	£99½	.....	Jacob (W. & R.)	63	.....
Nat. 9¾% 84/89	£85⅝	.....	TMG	115	.....
Fin. 13% 97/02	£93¾	.....	Unidare	84xd	.....

OPTIONS — 3-month call rates

Industrials	p				
Allied-Lyons	16	GKN	17	Turner Newall	10
BAT	32	Hanson Tst.	17½	Unilever	85
BOC Grp	25	Hawker Sidd	38	Vickers	19
BSR	16	Hse of Fraser	30	**Property**	
BTR	52	ICI	60	Brit Land	12
Babcock	14	"Imps"	10	Cap Counties	18
Barclays	48	Jaguar	28	Land Secs	25
Beecham	32	Ladbroke	24	MEPC	28
Blue Circle	45	Legal & Gen	50	Peachey	22
Boots	15	Lex Service	28	Samuel Props	14
Bowaters	20	Lloyds Bank	45	**Oils**	
Brit Aerospace	33	Lucas Inds	25	Brit. Oil & Min	4
Brit. Telecom	11	Marks & Spcr	11	Brit Petroleum	42
Brown (J.)	3	Midland Bk	30	Burmah Oil	18
Burton Ord	39	NEI	8	Charterhall	6
Cadburys	14	Nat West Bk	60	Premier	5
Comm Union	19	P & O Dfd	34	Shell	60
Courtaulds	12½	Plessey	17	Tricentrol	18
Debenhams	17½	Polly Peck	26	Ultramar	19
Distillers	28	Racal Elect	18	**Mines**	
Dunlop	6	RHM	11	Charter Cons	18
FNFC	8½	Rank Org Ord	32	Cons Gold	44
Gen Accident	45	Reed Intnl	50	Lonrho	14
Gen Electric	17	Sears	8	Rio T Zinc	56
Glaxo	85	TI	20		
Grand Met.	25	Tesco	20		
GUS 'A'	60	Thorn EMI	35		
Guardian	60	Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 37

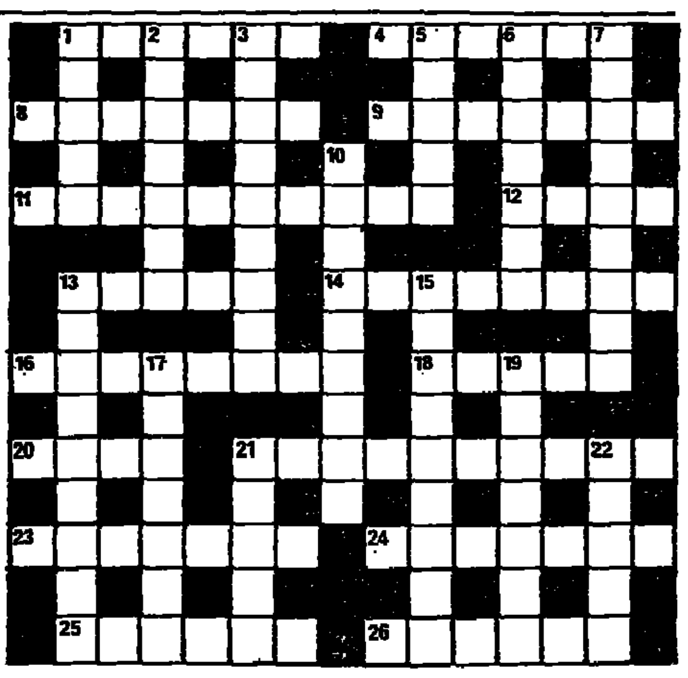
This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £880 per annum for each security.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,672



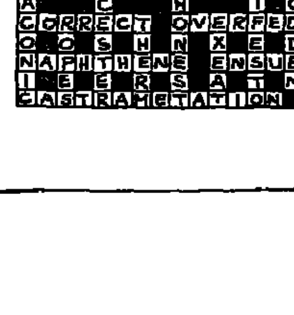
ACROSS

1 Chaps about right for guards (6)
4 It acts stupidly, which causes sparks to fly! (6)
8 One is upset about an order that's offensive (7)
9 Drinks dispenser put on the counter amid confusion (7)
11 Detention for burying a body outside the Nag's Head (10)
12 Clue found in a drawer (4)
13 Start on the receiver (5)
14 Des tries getting agitated when opposed (8)
16 And, blushing about getting way in front, is left helpless (8)
18 Foolishly deny admitting the egghead is very poor (5)
20 Deliberately miss the refuse container (4)
21 When just half of "A Melody in G" is delightful (10)
23 Goods in transit about to be put among the scrap (7)
24 It's true about the dilemma before the sports match (7)
25 The bench is alight (6)
26 Girl, without coming in, finds the extension (6)

DOWN

1 How much is paid for a bird *on a pole?* (5)
2 Housewives perspire during *evensong* (7)
3 Chewed by the rude man, *it turned out* (9)
5 Race vehicle is backed into this area (5)
6 Politician Steel is mad about places of worship (7)
7 *Quibbling with something* which reduces speed on the *railway* (9)
10 About to make duplicate (9)
13 When abroad, risk rough back street areas on the edge *of town* (9)
15 Feeling your boy is neat, *move in* (9)
17 Fix a couple of pages in the Old Testament at home (7)
19 Allow one to take a sort of *nettle round* (7)
21 She put that half in the fish (5)
22 Courage! The dentist will try not to touch it! (5)

Solution to Puzzle No. 5,671



INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$11.34		-0.01	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Wren Commodity Management Ltd.
10, St George's St, Douglas IoM. 0624 25015

Wren Com. Fund	12.8	13.4	.....	3.10
Chinese Fund	58.2	60.6	.....	1.70
Precious Metal Fund	67.3	70.1	.....	8.30
Vanguard Cmdy. Fd.	19.2	19.7	.....	0.00
Financial Futures Fd.	32.1	33.5	.....	—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Dynamic Gwth Fd	$8.57		-0.02	—

Money Market Trust Funds

	Nom	CAR	Int Cr	Notice
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	14.71	15.39	6-mth	Call
7-day Fnd	14.18	14.81	6-mth	7-day
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	14.44	14.96	6-mth	Call
7-day Fund	14.11	14.60	6-mth	7-day
Money Mngt. Acct.	14.00	14.75	3-mth	Call
Dollar	7.50	7.64	6-mth	2-day

Money Market Bank Accounts

	Nom	CAR	Int Cr	Notice
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	13.75	14.48	Qtr	Call
Mth. Int. Chq.	13.50	14.37	Mthl	Call
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc.	13.20	14.03	Mthl	Call
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	13.50	14.19	Qtr	Call
Britannia Grp of Investment Companies 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	13.50	14.37	Mthl	Call
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	13.25	14.085	Mthl	Call
U.S. Dollar	8.0	8.3	Mthl	Call
German Marks	5.0	5.115	Mthl	Call
Swiss Francs	2.0	2.018	Mthl	Call
Japanese Yen	5.0	5.115	Mthl	Call
Co-operative Bank 78-80 Cornhill EC3 01-626 6543 Ex 464				
Under £1,000	12.00	12.55	Qtr	Call
Over £1,000	14.00	14.75	Qtr	Call
Darlington & Co Ltd Darlington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc.	13.50	14.20	Qtr	Call
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	13.20	14.03	Mthl	Call
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
Notice Dep	13.25	13.68	Rate	14-day
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
High Int Cheque Acc.	13.50	14.40	Daily	Call
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq	13.38	14.06	Qtr	Call
Provincial Trust (formerly Choularton) 30 Ashley Rd, Altrincham, Cheshire, WA1 2DW 061-928 9011				
Cheque Acc	14.00	14.93	Mthl	Call
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
High. Int. Bk. Acc.	13.45	14.48	Daily	Call
Premier Acc.	13.45	14.40	Daily	Call
Tyndall & Co 29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241				
Demand Acc	14.09	14.85	Qtr	Call
Money Acc.	13.75	14.47	Qtr	Chq/7
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	13.75	14.65	Mthl	Call
Over £10,000	14.00	14.93	Mthl	Call

Notes: CAR = compounded annual rate. Int Cr = frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase.

COMMODITIES AND AGRICULTURE

May date for Kuala Lumpur changes

By Wong Sulong in Kuala Lumpur

MAJOR CHANGES to revive the Kuala Lumpur Commodities Exchange, are to take effect in May, Mr Tan Sri Lee Boon Chim, its chairman, annaunced yesterday.

The four-and-a-half-year-old KLCE, which deals in palm oil and rubber futures, was hit by a massive default last March from which it has not recovered. Trading in palm oil has virtually ceased since January in anticipation of the reorganisation, which was approved by the KCLE management committee last Saturday.

Tan Sri Lee said the Kuala Lumpur Commodity Clearing House would come under the control of the KLCE.

The KLCE will take up 40 per cent of the clearing house, and the remainder would be taken up equally by clearing members and the banks.

Rules and regulations of the clearing house and KLCE are to be harmonised.

KLCE membership will be limited to 100 and can be sold. There will be one class of membership with equal rights to manage the exchange, except that a member cannot execute trades on the exchange floor unless guaranteed by a clearing member.

Membership fees will be 50,000 ringgit (£17,559). Exchange members can be individuals or companies, and must have a paid-up capital of 500,000 ringgit.

Clearing members must have paid-up capital of 2m ringgit and in addition must own two exchange memberships and maintain a security deposit of 500,000 ringgit with the clearing house.

The guarantee system will be on a tier basis. The clearing house will guarantee all trades submitted by clearing members, who in turn will guarantee contracts submitted by exchange members, who will guarantee orders from the public.

This system is intended to instil responsibility among the participants

Cocoa shrugs off talks failure

BY JOHN EDWARDS, COMMODITIES EDITOR

THE FAILURE of Friday's last ditch attempt in Geneva to negotiate a new International Cocoa Agreement had only a limited impact on the London cocoa futures market yesterday.

Prices were marked down initially, but most of the losses were recouped in later trading in spite of the rise in the value of sterling against the dollar. The May position, after touching a low of £2,063 in the morning, rallied to close at £2,081 a tonne, only £9 down on Friday's close.

Traders said there was more concern about a developing supply squeeze on the May position in New York, which has moved to a large premium over July, than the somewhat confused outcome of the cocoa pact talks.

Officially the Geneva negotiations were only adjourned to give the chairman more time to hold further consultations with exporting and importing countries on deciding a basis for the resumption of talks later this year.

It is expected that the July meeting of the International Cocoa Council in London will decide to extend for a further year the existing agreement which is due to expire in September.

Another negotiating conference will probably be held in the autumn to try and close the fairly narrow gap between producing and consuming countries on the proposed price range that would be defended by an increased buffer stock backed by a stock withholding system.

According to traders in Geneva last week, it looked at one stage on Friday as if consumers and producers would be able to reach a compromise on the price range.

Following the return to the talks of Mr Denis Bra Kanon, the Ivory Coast Agriculture Minister, it is believed there was "corridor talk" of producing countries accepting a floor price level of 95 cents a lb—only 5 cents above the consumer proposal. However, the producers were unable to agree amongst themselves on the proposed lower support price level and it was decided to adjourn the talks.

Stronger pound hits metals

BY OUR COMMODITIES STAFF

STERLING'S strength against the dollar yesterday brought a general decline in base metals prices on the London Metal Exchange.

Cash high grade copper ended the day £20 down at £1,238 a tonne in spite of a further decline in LME warehouse stocks last week to the lowest level for 10¼ years, which sparked only a shortlived rally in the market.

Dealers said there was talk early in the day of further earth tremours in Chile, the world's biggest copper producer, where shipments are still being disrupted following the serious earthquake two weeks ago. The rumours had no discernible impact on prices.

A £20.50 fall to £813.50 a tonne for cash zinc was encouraged by a modest rise in LME stocks as well as the currency factor.

Cash lead was relatively steady with a £62.25 decline to £305.25 a tonne although last week's LME stocks rise was quite substantial.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Change during week ending Mar. 15)

		tonnes
Aluminium	−2,700	to 120,650
Copper	−4,285	to 94,650
Lead	+1,525	to 51,750
Nickel	−60	to 5,520
Tin	−665	to 21,085
Zinc	+325	to 34,550
		ounces
Silver	+150,000	to 54,040,000

Tea prices down again at London auction

THE RECENT slide in tea prices continued at yesterday's weekly London auction.

No quote was given for the average price of quality tea but medium grade was 11p down from last week's sale average at 235p a kg, and low medium fell 6p to 188p.

There were 47,190 packages on offer at the auction, including 11,450 in the offshore section.

The Tea Brokers Association of London reported selective enquiry for Assams, which lost 10p to 15p a kg. Support was fair for Bangladesh teas but prices still fell 14p to 18p a kg.

Brighter African offerings were little changed from last week but poorer types shed 10p a kg or more.

Demand for Ceylon teas was good but at 5p to 10p a kg less than last week's rates, except for a few selected best liquoring lines.

Offshore offerings met with good demand, the association said. Brighter descriptions were generally easier while others were about steady.

● MORE THAN 800 workers have been fired in the takeover of Jamaica's banana industry, previously controlled by the government, writes Canute James in Kingston.

The sackings followed the winding up of the state-owned Banana Company of Jamaica which had employed the workers in packaging and loading export fruit.

The new Banana Export Company, controlled by the growers, will be taking over these functions.

The moves are part of an effort to restructure the industry and increase exports to Britain from last year's 12,000 tonnes to 150,000 tonnes in five years.

● LEADING RUBBER producing countries meeting in Phuket, Thailand, yesterday started a final review of proposed floor prices they hope consumer nations will agree to

Producers and consumers wil meet in Geneva on April 22 to try and negotiate an international rubber agreement

Sowing dangerous seeds of devaluation

WHEN I was in Australia at the beginning of February, the heads of the grain boards and other farming authorities told me that only a substantial devaluation of the Australian dollar against the U.S. and other currencies would save the 30 per cent of their farmers said to be in trouble. Their wishes were fulfilled, for within three weeks the Australian dollar had fallen by about 10 per cent against the U.S. currency.

This had the effect of making grain exports easier in the few markets open to free trade. Australian beef could compete with subsidised European Community supplies in the crucial Eastern markets. Wool prices also received a boost helped by good demand for finer wools.

Farmers will not receive all the increase of course, but there has been sufficient margin to undercut previously ruling prices and still pay farmers a bit more.

None of this cost the Australian Government anything in subsidy, and there was no blame attached to it for sitting quietly and letting the dollar slide. Farmers were happy because they were able to pay their bills in depreciated currency while not yet having to face the inevitable increases in fuel charges interest rates and imports. These chickens will come home to roost another day.

In New Zealand farm support is developing in the same way, but as a deliberate part of the Socialist Government's policy.

Farmer's viewpoint: by John Cherrington in New Zealand

Sir Robert Muldoon's National Party had a policy of farm support almost on CAP lines with deficiency payments, subsidised interest rates and incentives to higher production.

Under Mr David Lange this support is being progressively scrapped. The NZ dollar, devalued last July, has been allowed to float and free market conditions to reign.

The extraordinary thing is that Federated Farmers, New Zealand's equivalent of the NFU, agreed with this change from guaranteed prices to currency fluctuation almost without a quibble, at least the leadership did.

Both these devaluations mark, I believe, a serious turn in world commodity trading, and they have happened without reference to the General Agreement on Tariffs and Trade or any other world trade body.

The overall effect is bound to be restrictive if only because any devaluation is the equivalent of an extra tariff.

U.S. and EEC exports will be early victims and there will be plenty of others to join the devaluation band wagon, especially as the governments concerned can claim the excuse of market forces as justifying a benign neglect of the factors which cause a currency to depreciate.

One could speculate further. Competitive devaluations could become the norm. It takes a long time before margins are forced down to an extent that forces a significant fall in agricultural production. The classical economist will tell you that in these conditions supply will eventually fall below demand and prices will recover.

We are, however, not living in a classical economist's world. Government's will no longer be allowed by their populations to follow the pure strains of economic theory. They will interfere in every way with trading patterns in the hopes of getting an advantage, as indeed they all do now.

I do not pretend to know what the answer is, but the similarities in the soft commodity market are distressingly similar to what I saw in these parts over fifty years ago. Then it was obvious that low prices for wheat and other commodities rebounded on the industrial nations causing the massive unemployment which caused the depression which was only ended by the last war.

I would not go so far as to say that war was directly caused by the 1930s slump, but it certainly was an ingredient in its making. There must be a better way.

Africans form association to revive palm oil industry

BY PETER BLACKBURN IN ABIDJAN

AN AFRICAN palm oil development association has been set up by 10 producing countries to help raise output and recapture markets.

During the past 30 years exports of African palm oil products have declined dramatically due to stagnating production and increased local consumption.

Africa became a net importer in 1980 whereas it had accounted for 70 per cent of world exports of palm oil products 30 years ago. Only 3 per cent of world exports came from Africa in 1983, the rest came from Malaysia and Indonesia.

The association is based in Abidjan with Mr Dossongui Kone, director general of Ivory Coast's state-owned Palmindustrie, as chairman.

Its members are Benin, Cameroun, Ghana, Guinea, Ivory Coast, Liberia, Nigeria, Sierra Leone, Togo and Zaire.

Activities during the first two years will focus on the collection ad dissemination of data, technical co-operation and training. Development of drought resistant hybrids as well as disease and pest control will also be financed.

The association's effectiveness will depend to a large extent on the prompt payment of admission fees and annual contributions, the organisers said.

Mr Donatien Bihute, vice-president of the African Development Bank, told the first general assembly sponsored by the UN Food and Agriculture organisation in Abidjan that some people might criticise the creation of another international organisation. But only by combining their resources could African countries compete on world markets.

The most dramatic decline in African production has been in Nigeria, formerly the world's largest producer. Exports have declined steadily since peaking at 224,000 tonnes in 1953, and in 1982 Nigeria imported 168,000 tonnes of palm oil products.

Output was severely disrupted by the 1967-70 civil war, waged mainly in the eastern states where two thirds of the country's oil palm plantations were located.

Rehabilitation has been slowed by shortage of funds and labour. Palm oil has to compete with the rapid growth of crude oil.

Production in Zaire, formerly the world's largest industrial producer (Nigerian output was mainly from wild groves and smallholders), has also dropped dramatically to only 93,000 tonnes in 1982.

Political troubles combined with lack of investment incentives, foreign exchange and skilled labour were responsible for the decline.

Ivory coast is one of the few African countries to reverse the downward trend. Output rose 7 per cent in the seventies to reach 167,000 tonnes in 1982-83.

Output has also risen in the Cameroun and is expected to nearly double to 150,000 tonnes during the 1981-85 development plan.

The oil palm, which is indigenous to Africa and grows wild in tropical forests along the west coast, could soon start to realise its local nutritional and export earnings potential as African governments show renewed interest after a period of neglect.

● The South African Agriculture Economics and Marketing Department's first estimate for the maize crop in the year starting May 1 is 6.71m tonnes, a maize board official said.

The drought-ravaged crop was 4.4m tonnes in the production year to April 30, 1984.

LONDON MARKETS

CONCERN about the escalation of hostilities between Iran and Iraq helped boost prices on the London gas oil futures market yesterday. Selling in New York trimmed back prices but they still ended the day \$3.25 to \$5 a tonne up from last Friday's closing levels. Dealers also quoted continuing uncertainty about supplies from the Soviet Union as an influence in the rise.

Coffee futures prices eased in quiet trading with sterling's firmnes providing the main impetus. The May position ended the day £32.50 down at £2,399.50 a tonne.

Sugar futures, which are priced in dollars, moved a little higher on the strength of the pound.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

METALS	Mar. 18 1985	+ or —	Month ago
Aluminium	£1100	......	£1100
Free Mkt	$1115/135	−10	$1160/1180
Copper			
Cash h Grade	£1238	−20	£1290.5
3 mths	£1258.25	−19.25	£1311.25
Gold troy oz	$298.75	+4.25	$304.5
Lead Cash	£305.25	−6.25	£338.5
3 mths	£315.5	−4.75	£345.5
Nickel			
Free Mkt	254/284c	+8	227/257c
Palladium oz	$111.75	+1.4	$129.65
Platinum oz	$255.25	+6.5	$277.00
Quicksilver†	$290/300	......	$295/305
Silver troy oz	521.00p	−2.45	569.20p
3 mths	538.00p	−2.45	587.40p
Tin cash	£10,062.5	−165	£10,852.5
3 mths	£10,072.5	−81	£10,855.5
Tungsten	$76.65	......	$76.27
Wolfram 22 04lb	$75/78	......	$73/77
Zinc	£813.5	−20.5	£790.5
3 mths	£785.5	−20.5	£776.87
Producers	$800-840	......	$900

	Mar. 18 1985	+ or —	Month ago
OILS			
Coconut (Phil)	$880v	......	$820
Palm Malayan	$625y	......	$580
SEEDS			
Copra Phil	$530w	......	$495
Soyabean (U.S.)	$249	+1	$245
GRAINS			
Barley Fut. May	£116.95	−0.25	£116.35
Maize	£151.00	+8	£148.00
Wheat Fut. May	£119.90	+0.15	£115.80
No. 2 Hard Wint.	‡	—	‡
OTHERS			
Cocoa Ft. May	£2081	−9	£2146.5
Coffee Ft. May	£2399.5	−32.5	£2367.0
Cotton A Index	66.65c	−0.25	68.55
Gas Oil April	$227.75	+3.75	$235.5
Rubber (kilo)	69.25p	−0.25	65p
Sugar (raw)	$109vy	−1.50	$113
Wooltops 64s	522pkilo	......	528pkilo

‡ Unquoted. w April-May. x April. y May. v March-April. † Per 76 lb flask. c Cents a pound.

INDICES

FINANCIAL TIMES

Mar. 15	Mar. 14	M'th ago	Year ago
300.45	301.30	296.51	305.44

(Base: July 1 1952 = 100)

REUTERS

Mar. 18	Mar. 15	M'th ago	Year ago
2013.0	2022.3	2023.2	1985.5

(Base: September 18 1931 = 100)

MOODY'S

Mar. 15	Mar. 14	M'th ago	Year ago
949.5	949.6	—	—

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	Mar. 15	Mar. 14	Month ago	Year ago
Spot	117.03	116.75	—	—
Fut.	120.16	120.24	—	—

(Base: December 31 1974 = 100)

OIL

Brent firmed 30-35c while escalation of the Iran-Iraq war supported the Gulf grades. By 1 pm EST Nymex was 35c up. Gas oil firmed in a typically quiet Monday market due mainly to the influence of the futures market. Heavy fuel continued its recent weak trend—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—April		
Arab Light	27.70-27.80	+0.05
Arab Heavy	26.60-26.70	+0.05
Dubai	27.05-27.20	+0.10
Brent Blend	28.00-28.10	+0.325
W.T.I. (1pm est)	28.70-28.80	+0.525
Forcados (Nigeria)	28.00-28.20	+0.05
Urals. (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	253-255	+1.5
Gas Oil	237-239	+5.5
Heavy fuel oil	159-161	−2

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close	+ or —	Business Done
	$ U.S. per tonne		
March	236.75	+3.50	237.00-35.50
April	227.75	+3.75	227.75-25.25
May	226.00	+5.00	226.50-21.75
June	225.25	+3.75	225.75-20.55
July	224.00	+5.25	224.25-21.50
Aug	223.50	+2.00	223.50-21.50
Sep	227.00	+3.50	—

Turnover: 1,583 (1,228) lots of 100 tonnes.

GRAINS

Old crop wheat advanced strongly on merchant and shipping buying. Profit-taking eased values, which fell further in light trading late in the day. Old crop barley was a little steadier but fell on lack of buying interest. New crops were steady, remaining in a narrow range, reports Muirpace.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
Mar	117.20	+0.25	114.50	−0.25
May	119.90	+0.15	116.95	−0.25
July	123.75	+0.35	—	—
Sept	98.75	+0.50	98.90	+0.88
Nov	101.95	+0.45	102.45	+0.75
Jan	105.70	+0.45	105.90	+0.75

Business done—Wheat: March 117.55 only, May 120.45-19.90, July 124.25-3.75, Sept 98.90-8.50, Nov 102.15-1.95, Jan 105.85-5.65. Sales: 489 lots of 100 tonnes. Barley: March 115.00-4.95, May 117.50-7.40, Sept 98.90-8.50, Nov 102.35-2.15, Jan untraded. Sales: 79 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 1 15 per cent March 160.35, April-May 165.60, June 166.35, July 166.50, transhipment East Coast. U.S. No. 2 Soft Red Winter April 165, May 162.75, July 151 transhipment East Coast. EC French July 110.25-119 cif Free Out South-west Coast. English Feed fob April 121, April-June 122.50 sellers East Coast. Maize: U.S. No. 3 Yellow-French transhipment East Coast March 151. Barley: English Feed fob Sept 99 East Coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: E. Mids 113.70, N. East 114.50, Scotland 111.90. The UK monetary coefficient for the week beginning Monday, March 25 (based on HGCA calculations using four days' exchange rates) is expected to change to 1.012.

PIGMENT

Prices opened and remained unchanged in very thin volume despite light trade selling, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
April	110.10	110.50	110.40-110.00
June	107.90	107.90	108.10-107.70
Aug.	103.10	103.00	103.10
Oct	108.80	109.00	108.20-108.10
Nov	110.10	109.90	—
Feb	100.50	100.50	—

Sales: 49 (33) lots of 50 carcases, 3,250 kg.

POTATOES

After a very quiet morning a firmer Dutch quote, due to slightly steadier physicals and rumoured manufacturer interest, lifted values marginally, reports Coley and Harper.

[illegible]

RUBBER

PHYSICALS — The London market opened unchanged, attracted some covering interest throughout the day, and closed quietly steady, reports Lewis and Peat. Closing prices (buyers): spot 69.25p (69.50p); April 73.25p (73.50p); May 73.75p (74.00p). The Kuala Lumpur fob price for April RSS No. 1 was 188.5 (same) cents a kg and for SMR was 188.5 (same).

SOYABEAN MEAL

The market opened 50p-£1.00 lower in active trading, reports T. G. Roddick. Prices eased further during the afternoon.

	Yesterday close	+ or —	Business Done
	£ per tonne		
April	146.5-147.0	−2.45	—
June	134.5-139.5	−1.45	141.0-139.5
August	139.5-139.8	−1.80	141.0-140.0
October	145.5-144.8	−1.25	—
Dec	149.5-149.9	−1.80	—
Feb	154.0-154.8	−2.80	—
April	156.2-156.4	−2.10	—

Sales: 266 (410) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar \$109.00 (£100.00), down \$1.50 (down £2.50) a tonne for March-April-May delivery. White sugar \$130.00, up 50c.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
May	112.0-112.2	111.8-111.9	113.8-111.6
Aug	117.2-117.4	117.2-117.4	118.6-117.6
Oct	122.0-122.2	122.0-122.4	124.2-122.4
Dec	128.8-129.0	128.8-129.2	130.0-128.8
Mar	143.0-143.2	142.2-142.4	144.0-143.0
May	148.0-148.2	147.8-148.0	149.4-147.4
Aug	[illegible]	[illegible]	[illegible]

[illegible]

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	1248-1	−18	1237.5-8.5	−20
3 months	1261.5-2	−14	1258-.5	−19¼
Settlem't.	1241	−18	—	—
Cathodes.				
Cash	1246-7	−10	1242-5	−16.5
3 months	[illegible]	[illegible]	[illegible]	[illegible]
Settlem't	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

ALUMINIUM

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	986-.5	−29	961.5-2.5	−18
3 months	1018-.5	−24.5	1016-.5	−19¼

Aluminium — Morning: Cash £987, 86.5, three months £1,024, 20, 19, 18, [illegible]

NICKEL

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	4710-5	−35	4685-95	−37.5
3 months	4760-5	−47.5	4700-5	−75

Nickel—Morning: Cash £4,715, three months £4,760, 40, 50, 55. Afternoon: Three months £4,720, 30, 25, 10, 5. Kerb: Three months £4,705. [illegible]

GOLD

[illegible]

TIN

[illegible]

LEAD

[illegible]

ZINC

[illegible]

SILVER

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

COTTON

[illegible]

JUTE

[illegible]

U.S. MARKETS

HEATING OIL traded sharply higher on the escalation of the Iran-Iraq war and on reports of below-normal temperatures in Europe, reports Heinold Commodities.

Grains and soyabeans moved higher on the strength in the currency markets as well as tight spot supplies. Maize gained ground on aggressive commercial buying in the spot month. March wheat led the advance on trader short-covering, while later months were only fractionally higher. Soyabeans showed strong gains on reports of heavy rains in Brazil. Gold and silver rallied sharply on active short-covering and weakness of the dollar along with continuing concern over U.S. banking problems. Copper benefited from the firm tone to precious metals along with the continued drawdown in exchange stocks. Sugar was steady as uncertainty continued to surround the results of the India buying tender last week. Cocoa and coffee firmed in response to the strength of sterling. Cotton also firmed reflecting a decertification of exchange stocks.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
March	48.90	—	—	48.30
April	49.00	—	—	48.55
May	49.40	49.50	49.05	48.95
July	50.15	50.40	50.00	49.80
Sept	51.10	51.25	50.80	50.55
Dec	52.35	—	—	51.90

[illegible]

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
May	65.56	66.10	65.32	65.30
July	65.00	65.23	64.35	65.05
Oct	65.10	65.20	65.10	65.05
Dec	65.28	65.40	65.00	65.02
March	66.28	66.60	66.40	66.08
May	66.71	—	—	66.42
July	66.87	—	—	66.62

[illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
April	61.90	62.42	61.55	62.00
June	64.87	65.50	64.77	65.25
August	64.75	65.35	64.60	64.90
Oct	62.90	63.22	62.90	63.07
Dec	64.02	64.40	63.92	64.35
Feb	64.60	64.90	64.25	64.35

[illegible]

OTHER MARKETS

PARIS

[illegible]

ROTTERDAM

[illegible]

WOOL FUTURES

[illegible]

MEAT

[illegible]

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Bank fears and lower rates hit $

U.S. dealers sold dollars yesterday, after their European counterparts had shown a quiet and cautious approach to the implications of a savings bank crisis in Ohio and to a lowering of U.S. interest rates. It was generally felt in Europe that the problem in Ohio, which may discourage the Federal Reserve from tightening interest rates, the lower opening to Eurodollar rates, and Friday's lower U.S. industrial production figure, should have produced a weaker dollar, but dealers waited to gauge the U.S. reaction. When the Federal funds rate opened lower in New York, and the Federal Reserve followed up Friday's move with another injection of $1.5bn in liquidity into the banking system, the dollar weakened sharply. It fell through the resistance point of DM 3.35, and through another at DM 3.3380 soon after the London close.

In London the dollar fell to DM 3.34 from DM 3.3770 on Friday; FFr 10.1950 from FFr 10.31; SwFr 2.84 from SwFr 2.8755; and Y259.9 from Y260.50. Less than an hour later in New York it had fallen below DM 3.32.

On Bank of England figures the dollar's index fell to 153.9 from 154.7.

STERLING — Trading range against the dollar in 1984-85 is 1.4940 to 1.0525. February average 1.0933. Exchange rate index rose 1.0 to 73.0, closing at the highest level this year. It opened at 72.1 and rose steadily, before jumping 0.4 between 3 pm and the close.

There was a rush to buy the pound ahead of today's Budget. High London interest rates continued to support sterling, which was also helped by a general move out of the dollar in the afternoon. But it was hoped that the Budget will be good for the British economy and the pound, which made dealers move to cover any short positions. Nervousness about oil supplies following the escalation in the war between Iran and Iraq was of added help, as sterling rose 2.25 cents to $1.1060-$1.1070 in London, before climbing to $1.1150 shortly after in New York. At the London close the pound also advanced to DM 3.6950 from DM 3.66; FFr 11.3275 from FFr 11.1650; SwFr 3.1450 from SwFr 3.150; and Y287.50 from Y282.25.

D-MARK—Trading range against the dollar in 1984-85 is 3.4510 to 2.5535. February average 3.3008. Exchange rate index 118.8 against 120.4 six months ago.

The D-mark gained ground against the dollar in quite active Frankfurt trading. The dollar fell to DM 3.35675 from DM 3.3855, after being fixed at DM 3.3756 in Frankfurt compared with DM 3.4015, without any intervention by the Bundesbank. The trading range appeared to be between DM 3.35 and DM 3.38 in Europe, with the dollar resisting moves to take it outside this range yesterday. It rebounded from a low of DM 3.3465, but then moved down again after the close of trading in Germany. The soft undertone to the dollar was encouraged by a lower opening to the Federal funds rate in New York, lower Eurodollar interest rates, and a record U.S. current account deficit in 1984.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	44.7453	−0.35	+0.07	±1.5522
Danish Krone ...	8.14104	7.96408	−2.17	−1.75	±1.6419
German D-Mark	2.24184	2.22702	−0.66	−0.24	±1.1475
French Franc ...	6.87456	6.80167	−1.06	−0.64	±1.3669
Dutch Guilder...	2.52595	2.51845	−0.30	+0.12	±1.5171
Irish Punt	0.72569	0.714419	−1.55	−1.13	±1.6703
Italian Lira	1403.49	1406.59	+0.22	−0.17	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING EXCHANGE RATE INDEX

(Bank of England)

	March 18	Previous
8.30 am	72.1	71.8
9.00 am	72.1	71.6
10.00 am	72.2	71.5
11.00 am	72.4	71.6
Noon	72.5	71.7
1.00 pm	72.6	71.7
2.00 pm	72.5	71.8
3.00 pm	72.6	72.0
4.00 pm	73.0	72.0

	March 18	prev. close
£ Spot	$1.1150-1.1160	$1.0830-0845
1 month	0.49-0.47pm	0.44-0.42pm
3 months	1.05-1.00pm	1.09-1.06pm
12 months	1.15-1.00pm	1.32-1.27pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

March 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.0830-1.1080	1.1060-1.1070	0.51-0.48c pm	5.37	1.05-1.00 pm	3.70
Canada	1.5020-1.5320	1.5265-1.5315	0.48-0.38c pm	3.41	0.78-0.83 pm	1.84
Nethlnd.	4.1450-4.1835	4.17-4.18	2 1/4-2 1/8c pm	7.37	6 7/8-6 pm	5.93
Belgium	73.60-74.40	74.25-74.35	27-22c pm	3.96	55-46 pm	2.72
Denmark	13.11-13.25 1/2	13.24 1/2-13.25 1/2	3 1/4-2ore pm	2.32	7 1/2-5 1/2 pm	1.96
Ireland	1.1785-1.1875	1.1850-1.1860	0.11p pm-0.07 dis	0.20	0.82-1.12dis	−2.77
W. Ger.	3.66 1/2-3.70 1/4	3.69-3.70	2 3/4-2 1/2pf pm	8.63	6 7/8-6 5/8 pm	6.97
Portugal	201.00-208.00	204 1/2-207 1/2	150-450c dis	−17.48	430-1310dis	−16.89
Spain	203.00-206.00	204 1/2-205	35-15c pm	1.47	20 pm-10 dis	0.10
Italy	2307 1/4-2343 1/2	2336-2338	par-3lire dis	−0.77	8-13 dis	−1.80
Norway	10.45 3/4-10.60	10.57 1/2-10.58 1/2	2 3/4-1 3/4ore pm	2.27	2 7/8-2 pm	0.92
France	11.17 3/4-11.33 3/4	11.32 1/4-11.33 1/4	3 3/4-3 1/4c pm	3.64	6 1/4-5 1/4 pm	2.16
Sweden	10.38 1/4-10.52 1/4	10.50 1/4-10.51 1/4	1 1/4-1/4ore pm	0.93	5 dis-par	0.12
Japan	282 1/2-288	287-288	2-1 3/4y pm	7.83	5-4 3/4 pm	6.70
Austria	25.70-26.00	25.90-26.00	18-16 1/2gro pm	7.98	43-38 1/2 pm	6.37
Switz.	3.11 7/8-3.15 1/2	3.14-3.15	2 1/2-2 1/4c pm	9.06	5 3/4-5 1/2 pm	7.23

Belgian rate is for convertible francs. Financial franc 74.80-74.90. Six-month forward dollar 1.24-1.19c pm. 12-month 1.06-0.93c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

March 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.0830-1.1080	1.1060-1.1070	0.51-0.48c pm	5.37	1.05-1.00 pm	3.70
Ireland†	0.9220-0.9300	0.9225-0.9235	0.45-0.35c pm	5.20	1.20-0.90 pm	4.55
Canada	1.3808-1.3855	1.3810-1.3830	0.23-0.26c dis	−2.12	0.68-0.76dis	−2.06
Nethlnd.	3.7730-3.8225	3.7740-3.7750	0.60-0.57c pm	1.84	1.93-1.90 pm	2.01
Belgium	67.10-68.85	67.25-67.35	9 1/2-10 1/2c dis	−1.77	25-27 dis	−1.53
Denmark	11.93-12.08 1/2	11.93-11.93 1/2	3.3 1/2ore dis	−3.23	4 1/2-5 dis	−1.57
W. Ger.	3.3550-3.3790	3.3395-3.3405	0.91-0.86pf pm	3.15	2.65-2.60 pm	3.11
Portugal	185-187 1/2	186-187	200-500c dis	−22.52	600-1400dis	−21.45
Spain	184.70-187.18	184.70-185.00	58-65c dis	−3.95	155-175 dis	−3.53
Italy	2112-2132	2118 1/2-2119 1/2	11-11 1/2lire dis	−6.34	30-30 1/2 dis	−5.70
Norway	9.54 1/2-9.64 1/4	9.55-9.55 1/2	2 1/2-3ore dis	−3.43	7 1/2-8 dis	−3.22
France	10.18-10.32	10.18 3/4-10.19 1/4	1.60-1.70c dis	−1.92	4.45-4.75dis	−1.78
Sweden	9.51-9.68 1/2	9.51-9.51 1/2	3 1/2-4ore dis	−4.70	9 1/2-10 dis	−4.08
Japan	259.75-260.60	259.80-259.90	0.58-0.54y pm	2.58	1.93-1.88 pm	2.93
Austria	23.43-23.76 1/2	23.43-23.48	5 1/4-4 1/2gro pm	2.47	15 1/2-13 1/2 pm	2.49
Switz.	2.8390-2.8790	2.8395-2.8405	0.84-0.78c pm	3.38	2.48-2.42 pm	3.41

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 67.60-67.70.

OTHER CURRENCIES

Mar. 18	£	$		£ Note Rates
Argentina Peso..	330.19-330.77†	301.05-301.30	Austria	25.80-26.10
Australia Dollar.	1.5925-1.5965	1.4446-1.4465	Belgium	74.15-75.00
Brazil Cruzeiro...	4,541-4,566	4,140-4,161	Denmark	13.10-13.23
Finland Markka.	7.6400-7.6640	6.9300-6.9250	France	11.21-11.33
Greek Drachma.	153.90-157.00	141.77-144.65	Germany	3.67-3.71
HongKong Dollar	2.6750-2.5850	7.8005-7.8025	Italy	2295-2345
Iran Rial	103.50*	95.25*	Japan	284-287
KuwaitDinar(KD)	0.3350-0.3360	0.30525-0.30535	Netherlands	4.15-4.19
Luxembourg Fr	74.25-74.35	67.25-67.35	Norway	10.47-10.57
Malaysia Dollar..	2.8425-2.8525	2.5860-2.5890	Portugal	197-205
New Zealand Dlr.	2.4500-2.4700	2.2220-2.2370	Spain	199-207
Saudi Arab Riyal	3.9680-3.9750	3.6110-3.6120	Sweden	10.40-10.50
Singapore Dollar	2.4900-2.5000	2.2660-2.2690	Switzerland	3.13-3.16
Sth African Rand	2.1830-2.2030	1.9840-1.9960	United States	1.08-1.10
U.A.E. Dirham	4.0355-4.0425	3.6720-3.6730	Yugoslavia	280-306

* Selling rate.

† Correction: (March 15) Argentine peso was 323.25-323.83 against sterling.

CURRENCY MOVEMENTS

Mar. 18	Bank of England Index	Morgan Guaranty Change %
Sterling	73.0	−18.5
U.S. dollar	153.9	+37.9
Canadian dollar	89.0	−6.5
Austrian schilling	108.5	+2.3
Belgian franc	87.6	−10.9
Danish Kroner	75.4	−6.6
Deutsche mark	118.8	+6.0
Swiss franc	132.4	+5.7
Guilder	109.2	+2.5
French franc	63.0	−16.2
Lira	44.6	−16.9
Yen	155.4	+11.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Mar. 18	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.874459	0.603780
U.S. $	8	0.956221	0.660837
Canadian $	11.69	*	0.915690
Austria Sch.	4 1/2	22.6911	15.6486
Belgian Fr	11	64.8868	44.7453
Danish Kr	7	11.5435	7.96408
Dmark	4 1/2	3.22762	2.22702
Guilder	5 1/2	3.65085	2.51845
French Fr	9 1/2	9.85864	6.80167
Lira	15 1/2	N/A	1406.59
Yen	5	249.096	172.016
Norway Kr.	8	9.22275	6.36287
Span'h Pta.	—	178.811	123.378
Swedish K	9	9.15438	6.31926
Swiss Fr	4	2.75076	1.89839
Greek Dr'ch	20 1/2	135.979	94.1363
Irish Punt	12 3/4	N/A	0.714419

* C$/SDR rate for March 15: 1.32194.

EXCHANGE CROSS RATES

Mar. 18	Pound Sterling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.107	3.695	287.5	11.33	3.145	4.175	2337.	1.529	74.50
U.S. Dollar	0.904	1.	3.340	259.9	10.20	2.840	3.775	2119.	1.382	67.30
Deutschemark	0.271	0.299	1.	77.81	3.066	0.851	1.130	632.5	0.414	20.11
Japanese Yen 1,000	3.478	3.849	12.85	1000.	39.40	10.94	14.52	8129.	5.318	258.4
French Franc 10	0.883	0.977	3.262	253.8	10.	2.776	3.686	2063.	1.350	65.59
Swiss Franc	0.318	0.352	1.175	91.41	3.602	1.	1.328	743.1	0.486	23.62
Dutch Gilder	0.240	0.265	0.885	68.86	2.713	0.753	1.	559.8	0.366	17.80
Italian Lira 1000	0.428	0.473	1.581	123.0	4.847	1.346	1.786	1000.	0.654	31.79
Canadian Dollar	0.654	0.724	2.417	188.0	7.408	2.057	2.731	1528.	1.	48.59
Belgian Franc 100	1.346	1.489	4.973	386.9	15.25	4.233	5.619	3145.	2.058	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Mar. 18	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	14 5/8-14 7/8	8 1/8-8 5/8	10 1/4-10 3/4	7 1/16-7 3/16	1 1/8-1 3/4	5 7/8-6	10 7/16-10 11/16	13-14	10 3/8-10 5/8	10 3/8-10 5/8	6 3/8-6 1/16	12 5/8-13 1/8
7 day's notice	14 5/8-14 7/8	8 3/4-8 7/8	10 3/8-10 7/8	7 1/16-7 3/16	1 5/8-1 7/8	5 7/8-6	10 7/16-10 11/16	14-15	10 1/2-11 3/4	10 1/2-10 3/4	6 1/16-6 3/16	12 1/4-12 3/4
Month	14 1/8-14 1/4	8 7/8-9	10 5/8-10 7/8	7 1/8-7 1/4	5 5/8-5 3/4	5 13/16-6 1/16	10 11/16-10 15/16	14 1/2-15	10 1/2-10 3/4	10 5/8-10 13/16	6 1/16-6 5/8	11 5/8-12 1/8
Three months	13 5/8-13 1/2	9 1/4-9 5/8	11 1/16-11 3/8	7 1/4-7 3/8	5 13/16-5 15/16	6 1/16-6 3/16	11 1/16-11 5/16	14 7/8-15 3/8	10 5/8-10 7/8	10 5/8-10 7/8	6 3/8-6 1/2	11 3/8-11 7/8
Six months	12 1/2-12 5/8	9 7/8-10	11 5/8-11 7/8	7 3/8-7 1/2	5 7/8-6	6 1/16-6 3/16	11 1/2-11 5/8	15 1/4-15 1/2	10 3/4-11	10 13/16-11 1/16	6 3/8-6 1/2	11 1/8-11 5/8
One year	12 1/4-12 3/8	10 7/8-11	12 1/4-12 1/2	7 1/2-7 5/8	5 3/4-5 7/8	6 3/4-6 7/8	12-12 1/4	16-16 1/2	11 1/4-11 1/2	11 1/4-11 1/2	6 3/8-6 1/2	11 1/2-12

Asian $ (closing rate in Singapore): Short-term 8 11/16-8 13/16 per cent; seven days 8 3/4-8 7/8 per cent; one month 8 13/16-8 15/16 per cent; three months 9 5/16-9 7/16 per cent; six months 9 7/8-10 per cent; one year 10 13/16-10 15/16 per cent. Long-term Eurodollars: two years 11 1/2-11 3/4 per cent; three years 12-12 1/4 per cent; four years 12 1/4-12 1/2 per cent; five years 12 1/2-12 3/4 per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

Nervous trading

Sterling based instruments showed mixed changes in the London International Financial Futures Exchange yesterday. Three-month sterling deposits were boosted by sterling's firmer trend while gilt futures failed to attract any significant level of new buyers. Dealers suggested that the prospect of a favourable UK Budget today had already attracted buyers and so sterling's better tone provided little follow through reaction.

In addition there was concern over the performance of U.S. bonds in the light of current banking difficulties in Ohio. In London U.S. Treasury bond futures were steady until the afternoon when U.S. participation pushed values down to the day's lows.

Euro-dollar prices were firmer amid hopes of lower U.S. interest rates as a result of liquidity injections to smooth over the situation in Ohio. However with a number of U.S. statistics due for release this week, there was some degree of hesitation, especially ahead of Thursday's first quarter U.S. GNP flash estimate.

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
June	89.41	89.50	89.35	89.30
Sept	88.74	88.85	88.69	88.67
Dec	88.33	88.46	88.31	88.29
March	88.05	—	—	88.02
June	87.84	—	—	87.80

Estimated volume 4,852 (8,103)
Previous day's open int 14,799 (14,282)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
June	88.49	88.50	88.33	88.23
Sept	88.88	88.88	88.66	88.64
Dec	88.84	88.84	88.75	88.67
March	88.80	—	—	88.63

Estimated volume 1,888 (1,810)
Previous day's open int 5,221 (5,159)

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
March	104.07	104-17	104-07	104-12
June	104-25	105-05	104-25	104-30
Sept	108-08	—	—	108-14
Dec	108-12	—	—	108-17
March	108-00	—	—	108-05

Estimated volume 1,995 (2,663)
Previous day's open int 4,187 (4,448)
Basis quote (clean cash price of 13 3/4% Treasury 2003 less equivalent price of near futures contract) −8 to par (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.0935	1.0935	1.0756	1.0755
Sept	1.0912	1.0912	1.0737	1.0725

Estimated volume 982 (428)
Previous day's open int 1,696 (1,697)

DEUTSCHE MARKS
DM 125,000 $ per DM

	Close	High	Low	Prev
June	0.3007	0.3007	0.2983	0.2984
Sept	0.3034	—	—	0.3012

Estimated volume 24 (37)
Previous day's open int 248 (226)

SWISS FRANCS
SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
June	0.3525	—	—	0.3504

Estimated volume nil (14)
Previous day's open int 145 (140)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
June	0.3872	0.3872	0.3869	0.3866

Estimated volume 5 (nil)
Previous day's open int 202 (202)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
March	129.60	130.70	129.50	130.70
June	130.00	131.00	129.85	131.15
Sept	130.50	—	—	131.55

Estimated volume 216 (347)
Previous day's open int 1,547 (1,500)

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	68-25	68-29	68-25	69-07
June	67-28	68-10	67-25	68-08
Sept	67-16	—	—	69-00

Estimated volume 1,526 (1,462)
Previous day's open int 2,257 (2,382)

CHICAGO

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	68-24	69-08	68-23	69-02
June	67-25	68-10	67-24	68-04
Sept	66-31	67-16	66-30	67-10
Dec	66-09	66-24	66-09	66-20
March	65-22	66-03	65-21	66-00
June	65-06	65-08	65-06	65-15
Sept	64-25	64-25	64-25	65-01
Dec	64-13	64-23	64-12	64-21
March	—	—	—	64-10
June	—	—	—	64-00

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev
June	90.72	90.85	90.70	90.78
Sept	90.20	90.33	90.17	90.26
Dec	—	90.00	89.86	89.94
March	89.62	89.74	89.62	89.70
June	89.44	89.56	89.44	89.53
Sept	89.29	89.41	89.29	89.38
Dec	89.15	89.27	89.15	89.24

CERT DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev
March	—	90.94	90.88	90.91
June	89.12	89.89	89.89	89.83
Sept	88.72	89.22	89.22	89.20
Dec	—	88.81	88.81	88.79

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev
March	90.62	90.62	90.59	90.53
June	89.38	89.48	89.33	89.42
Sept	88.71	88.82	88.66	88.78
Dec	—	88.42	88.27	88.39
March	—	88.14	88.00	88.12
June	87.82	87.91	87.78	87.90
Sept	87.60	87.71	87.59	87.70

STERLING (IMM) $s per £

	Latest	High	Low	Prev
March	1.0995	1.1005	1.0820	1.0815
June	1.1035	1.1075	1.0835	1.0705
Sept	—	1.1080	1.0845	1.0695
Dec	—	1.1050	1.0845	1.0695
March	1.0720	1.0875	1.0720	1.0700

GNMA (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	69-16	69-18	69-14	69-22
June	—	68-28	68-16	68-24
Sept	67-24	67-29	67-24	67-30
Dec	—	—	—	67-07
March	—	—	—	—
June	—	—	—	66-02
Sept	—	—	—	65-19

Company Notices

FINAL REDEMPTION

STATE OF PARANA

7% CONSOLIDATED BONDS

All outstanding Bonds of the above Loan totalling £300 have now been finally redeemed as at the 15th March 1985, at a price of £100%.

Bonds presented to Lazard Brothers & Co Ltd, 21 Moorfields, London EC2P 2HT should have Coupon numbers 115 to 120 attached, otherwise an amount equivalent to the missing coupons shall be withheld.

The Bond numbers are: 6748, 6763 and 6773.

LEUMI INTERNATIONAL INVESTMENTS NV

US$60,000,000 GUARANTEED FLOATING RATE NOTES 1988 EXTENDIBLE AT THE HOLDERS OPTION TO 1991

The interest rate applicable to the above Notes in respect of the six month period commencing March 19th 1985, has been fixed at 10 1/2% per annum.

The interest amounting to US$53.67 per US$1,000 principal amount of the Notes will be paid on September 19th 1985, against presentation of Coupon No. 7.

BANK LEUMI TRUST COMPANY OF NEW YORK
Principal Paying Agent

Art Galleries

BROWSE & DARBY, 19 Cork Street, London W1. 734 7984. SIR ROBIN PHILIPSON. Recent paintings.

Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St. 01-734 0557.

MONEY MARKETS

UK rates ease as sterling improves

UK interest rates were lower in London yesterday as the pound rose to its best level this year. However, opinion still remained divided over the possibility of a reduction in UK clearing bank base rates to coincide with today's UK budget. Despite its recent firmer trend, it still remains vulnerable. Three month interbank money finished at 13 11/16-13 13/16 per cent unchanged from Friday but starts out today at 13 1/2-13 5/16 per cent. Three-month eligible bank bills were bid at 13 7/16 down from 13 5/8 per cent.

UK clearing banks base lending rate 14 per cent since January 28

Overnight interbank money remained firm as the authorities sought to meet a large shortage of day-to-day credit. It opened at 14 3/4-15 per cent and touched a high of 15 1/2 per cent. It later fell to 13 3/4 per cent but was bid at the close at 15 per cent.

The Bank of England forecast a shortage of around £1,250m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £981m and Exchequer transactions a further £535m. These were partly offset by a fall in the note circulation of £280m and banks' balances brought forward £5m above target.

To help alleviate the shortage the Bank offered an early round of assistance which comprised sale and repurchase agreements on £14m of bills at 13 3/4 per cent, unwinding on April 16. Additional help in the morning came to £1,096m and comprised purchases of £8m of eligible bank bills in band 1 (up to 14 days) at 13 3/4 per cent and sale and repurchase agreements on £1,088m of bills, £1,067m for resale on March 27 at 13 3/4 per cent and £21m on April 16 at 13 3/4 per cent.

In the afternoon the forecast was revised to a shortage of around £1,300m before taking into account the early help and the Bank gave additional assistance in the afternoon of £3m through purchases of eligible bank bills in band 1 at 13 3/4 per cent. It also provided late assistance of £160m making a total of £1,273m.

MONEY RATES

March 18	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.8-5.9	10 3/4	1 7/8-2 1/8	6 7/8-7	6.34375	15 3/4-16 1/8	10.40	14 1/8-14 3/4
One month	6.10-6.25	10 11/16-10 13/16	5 7/16-5 9/16	7 1/8-7 1/4	6.53125	15 5/8-16	10 5/8-10 7/8	14 3/4-15
Two months	6.20-6.35	10 3/4-10 7/8	—	—	—	—	—	14 5/8-14 7/8
Three months	6.30-6.45	10 3/4-10 7/8	5 7/16-5 9/16	7 1/16-7 3/16	6.34375	16-16 3/8	10 3/4-11	14 5/8-14 7/8
Six months	6.50-6.65	10 3/4-10 7/8	—	7 3/16-7 7/16	—	—	10 7/8-11 1/8	14 1/4-14 1/2
Lombard	6.0	—	—	—	—	—	—	—
Intervervention	—	10 1/8	—	6 7/8	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

Mar. 18 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	13 3/4-15 1/2	14 1/8-15 1/4	14 1/2-15 1/2	14 1/4-14 1/2	—	—	—	—	—
2 days notice	—	—	14 5/8-14 7/8	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14 5/8-14 7/8	14 5/8-14 3/4	15-15 1/4	13 7/8-14	—	—	—	—	—
One month	14 1/16-14 1/16	14 1/4-14 3/8	14 1/16	14 3/8	13 7/8	13 3/4	13 1/2	13 15/16-11 3/4	13 5/8-13 11/16	14 5/8
Two months	13 13/16-13 15/16	13 13/16-14	13 5/8	13 7/8	13 1/2	13 1/2	13 1/4	13 11/16-13 5/8	13 1/2	14
Three months	13 5/16-13 7/16	13 5/8-13 13/16	13 3/4	13 3/4	13	13 1/8	13	13 7/16	12 13/16-13	13 3/4
Six months	12 1/2-12 5/8	12 13/16-12 7/8	12 7/16	—	—	—	—	12	11 13/16	12 5/8
Nine months	12 1/4-12 1/2	12 7/16-12 11/16	—	—	—	—	—	—	—	—
One year	12 3/16-12 5/16	12 3/8-12 7/16	12 1/4	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	14 7/8-14 1/2	—	14 1/4	8.75-8.85	8 1/16-8 3/16	10 1/4-10 1/2
Two months	14 1/8-13 3/4	—	13 3/4	8.90-9.00	8 3/4-9	10 3/8-10 1/2
Three months	13 7/8-13 1/2	—	13 1/2	9.1-9.2	8 1/2-9 1/8	10 3/8-10 5/8
Six months	13 5/8-13 1/2	—	12 5/8	9.8-9.9	9 1/4-9 1/2	10 3/8-10 5/8
Nine months	12 7/8-12 1/2	—	12 1/2	10.25-10.35	—	—
One year	12 3/4-12 5/8	—	12 5/8	10.7-10.8	9 7/16-10 1/16	10 3/8-10 1/2
Two years	—	12	—	—	—	—
Three years	—	12	—	—	—	—
Four years	—	11 7/8	—	—	—	—
Five years	—	11 7/8	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of Interest period February 6 to March 5 1985 (inclusive): 13.883 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 12 1/2 per cent from March 1 1985. London and Scottish Clearing Bank Rates for lending 14 per cent. London Deposit Rates for sums at seven days' notice 11-11 1/2 per cent. Treasury Bills: Average tender rates of discount 13.1761 per cent. Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 14 per cent; one-three months 13 3/4 per cent; three-six months 13 3/4 per cent; six-nine months 12 3/4 per cent; nine-12 months 12 1/2 per cent. Under £100,000 12 per cent from March 12. Deposits held under Series 5 12 1/2 per cent. The rate for all deposits withdrawn for cash 8 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. March 18)

Three months U.S. dollars

bid 9 1/4	offer 9 3/8

Six months U.S. dollars

bid 9 7/8	offer 10

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10 1/2
Broker loan rate	9 3/4
Fed funds	8 5/16
Fed funds at intervention	8 3/4

Treasury Bills

One-month	8.10
Two-month	8.45
Three-month	8.47
Six-month	8.97
One-year	9.17

Treasury Bonds

Two-year	98 3/32
Three-year	98 7/32
Four-year	97 7/8
Five-year	96 27/32
Seven-year	98 21/32
10-year	95 21/32
30-year	94 7/8

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on March 18, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rates; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.1510
Algeria	Dinar	(A) 5.72
Andorra	French Franc	11.3275
	Spanish Peseta	204.75
Angola	Kwanza	(CM) 32.3750
Antigua	E. Caribbean $	2.96
Argentina	New Peso	330.48
Australia	Australian $	1.5945
Austria	Schilling	25.95
Azores	Portuguese Escudo	206.0
Greenland	Danish Kroner	13.25
Grenada	E. Caribbean $	2.96
Guadaloupe	Local Franc	11.3275
Guam	U.S. $	1.1065
Guatemala	Quetzal	1.1065
Guinea	Syli	28.2158
Guinea-Bissau	Peso	96.0737
Guyana	Guyanese $	4.5970
Haiti	Gourde	5.48
Honduras	Lempira	2.2050
Hong Kong	H.K. $	8.5800
Peru	Sol	exe(A) 8,14.49
Philippines	Philippine Peso	18.90
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.4600
Poland	Zloty	150.11
Portugal	Portuguese Escudo	206.0
Puerto Rico	U.S. $	1.1065
Qatar	Qatari Ryal	3.9530
Reunion Island	French Franc	11.3275

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for March 18.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 12⅝ 89	150	101	101½	0	−0¼	12.11
Austria Rep 13⅝ 92	100	105½	106	−0⅛	−1⅛	12.35
Bank Of Tokyo 12⅝ 92	100	98⅝	99⅛	+0⅛	−0⅝	12.86
Bank of Tokyo 13⅝ 91	100	104⅛	104⅝	+0⅛	−0⅞	12.54
BP Capital 11⅛ 92	150	93⅝	94⅛	0	−0¾	12.49
Caisse Nat Tele 13¾ 91	100	104⅜	104⅞	0	−0½	12.68
Canadian Pac 12½ 99	75	100¾	101¼	0	−0⅛	12.32
CBS Inc 11⅜ 92	100	94	94½	+0⅜	−0⅜	12.55
Chevron U.S.A. 12¼ 89	600	99¾	100¼	+0¼	−0¾	12.20
Creditanstalt 13⅛ 91	100	101½	102	+0¼	−0⅝	12.67
Denmark Kindom 11⅞ 92	100	94½	95	−	−	12.67
Denmark Kingdom 13 91	100	101⅜	101⅞	+0¼	+0⅜	12.58
Denmark Kingdom 13¼ 91	100	† 102	102½	+1⅛	−0⅜	12.68

Walt Disney Pro 12½ 87	150	† 101⅜	101⅞	0	−0⅝	11.84
Weyerhaeuser 12¼ 87	150	100¼	100¾	0	0	11.93
World Bank 12¼ 94	150	99⅛	99⅝	+0¾	−0⅜	12.34
World Bank 12⅞ 94	200	101¾	102¼	0	−0⅝	12.47

Average price change On day + 0⅛ on week − 0⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	† 99	100	−0½	−0½	8.07
Austria,Republic 7⅝ 94	200	† 98	99	0	+0¼	7.86
Baxter Travenol 7¼ 94	200	† 97¾	98¾	+0⅛	−0¼	7.52
Credit Nationai 8⅛ 94	200	† 100	101	−0⅛	−0⅛	8.04
Degussa Int Fin 7½ 94	100	† 99¼	100¼	0	+0¾	7.53
E.E.C. 8 92	200	† 100½	101½	+0⅛	−0¼	7.80
Escom 8 92	150	† 98½	99½	−0⅛	+0¼	8.19

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Sumitomo Corp 2⅞ 99	5/84	593				−2.79
Taiyo Yuden 3¼ 2000	9/85	1078	104⅜	105⅝	−	
Takeda Riken 3⅜ 2000	10/84	7563	99¼	100½	+1½	11.50
Tokyo Sanyo Elec 3½ 99	12/84	772	94½	95½	+1	4.96
Yamanouchi Pharm'cal 4 90	10/83	1463.2	240	241	+3	−3.31
Nippon Oil Co 2⅛ 92 SF	3/84	1052	† 102¾	103¼	−0½	9.66
Nippon Shinpan Co 2 92 SF	3/84	801	† 93¼	93½	+0⅜	28.06
Settsu Paper 2¼ 92 SF	4/84	877	† 159½	160½	−0½	−3.84
Asics 5 92 DM	12/83	520	102⅝	103⅝	+0⅝	22.45
Sum Realty 6¼ 92 DM	2/83	365	† 193	194	+3⅞	−1.34

* No information available-previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price: the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date = Date next coupon becomes effective. Spread = Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. = current coupon. Cu. yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

OVER-THE-COUNTER

Continued from Page 38

Indices

NEW YORK-DOW JONES

SINGAPORE Straits Times (1966)	851.46	848.17	856.94	831.51	1071.8 (8/2/84)	764.4 (10/1/85)
SOUTH AFRICA Gold (1958)	827.4	—	927.7	824.6	1088.8 (16/11)	738.1 (24/1/84)
Industrial (1958)	858.2	—	850.6	846.6	1188.5 (25/5/84)	846.6 (5/5/85)
SPAIN Madrid SE (28/12/84)	111.91	111.67	111.05	111.38	117.41 (4/2/85)	100.00 (28/12/8
SWEDEN Jacobson & P (11/58)	1455.47	1457.38	1441.15	1444.17	1594.5 (3/2/84)	1582.88 (22/11
SWITZERLAND Swiss BankCpn.(31/12/58)	430.4	430.2	429.5	428.9	430.4 (18/3/85)	354.5 (25/7)
WORLD Capital Intl. (1/1/70)	—	195.4	195.8	196.8	198.1 (4/3/85)	185.2 (14/12)

** Saturday March 16: Japan Nikkei-Dow 12,487.38. TSE 998.65.

Base value of all indices are 100 except Australian All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

CAPITAL MARKETS

Contrasting terms for £100m issues in Eurosterling market

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

THE WEAKNESS of the dollar provoked a new burst of activity in the Eurosterling market yesterday, with two new issues of £50m apiece from Trusthouse Forte, the British hotels group, and Inco, the Canadian nickel producer.

But the deals came on markedly different terms. Inco, which is regarded as a relatively weak credit in the bond market, is paying a 12⅞ per cent coupon for its eight-year issue led by Morgan Grenfell, the highest coupon seen in the Eurosterling market since July 1982.

Trusthouse Forte, by contrast, is offering just 11⅛ per cent for its five-year issue, led by Morgan Grenfell and S.G. Warburg, which, like the Inco deal, has an issue price of par.

Bankers said the terms of the Trusthouse Forte issue, which give a yield some 40 basis points below UK gilts, seemed rather tight. With the market generally quiet ahead of today's UK budget, the paper was trading slowly at a discount of 2 points, outside its total fees of 1⅞ per cent.

Inco's deal, which offers a premium of about 1 per cent on comparable gilts, fared slightly better, though by the close it was only just inside its total 2-point fees.

BHF Bank bond average		
March 18 100.223		Previous 100.177
High 103.042	1984/85	Low 96.056

Manufacturers Hanover is raising $200m through a 12-year mismatch floating-rate note that pays interest at the six-month London interbank bid rate for Eurodollar deposits. The coupon is to be refixed monthly, allowing investors to make a profit by funding the paper at the cheaper one-month rate.

Lead managers are Morgan Stanley with Mitsubishi Trust and Yasuda Trust, and the paper traded at a discount just inside its 30-point fees.

In Switzerland, Sweden launched a SwFr 150m, 12-year 6 per cent bond at par through Credit Suisse. The amount can be increased depending on subscriptions.

Swiss bond prices were little changed while D-Mark issues firmed slightly in quiet trading. Today should see a DM 300m public issue and a DM 200m private placement for the World Bank. Bankers expect the 10-year public bond to carry a yield of around 7⅛ per cent.

Eurobond body calls for stricter standards

BY OUR EUROMARKETS CORRESPONDENT

THE Association of International Bond Dealers (AIBD), the main representative body of the Eurobond market, has proposed a series of constitutional changes designed to enhance its effectiveness in imposing professional standards on its members.

The changes, to be put before the membership at May's annual meeting in Helsinki, include a recommendation that the AIBD board be empowered to make and amend rules for trading and settlement in the Eurobond market, a function that is currently vested in the general meeting.

Mr John Wolters, the AIBD secretary-general, said in a circular to members: "The growth in the Eurobond market and the corresponding expansion of the AIBD membership and the speed at which changes take place and new instruments appear have led the board to rethink the trading and settlement rule and recommendation-making mechanism."

Simultaneously, the AIBD is proposing changes in the way its board is elected in an effort to make its composition reflect market function and expertise, as well as the regional distribution of its membership which has been the main criterion so far.

Mr Wolters said: "The expansion and distribution of the membership – which is expected to be close to 800 by the end of 1985 – has shown up glaring inadequacies in the present process of self-presentation of candidates for the board, the majority of whom are elected along a rigid system of regional preference."

Under the new system, board membership would rotate from 1986 with a third of the members coming up for re-election each year. The candidates would be chosen by a nomination committee consisting equally of existing board members and representatives of the regions.

New statutes would provide that the selection of candidates would reflect the regional structure of the market, the current importance of particular regions or areas and various functions within the market.

Although the changes are to be put to the annual meeting in Helsinki, the initial vote there will be only a consultative one. If it is passed overwhelmingly, an extraordinary general meeting will be convened in London in mid-December to ratify detailed changes effective from next year.

The AIBD, which has been frequently criticised for its lack of bite in the past, believes the new system would be less haphazard and "would offer the means of forming a balanced board with competent and dedicated representatives from the whole industry," Mr Wolters said.

Stock		Sales (Hnds)	High	Low	Last	Chng
TacViv		12	10¼	9¾	9¾	−¼
Tandem		1115	20¾	20½	20½	
Tandon		2333	6⅜	6	6⅛	+⅛
Tchnal	.22	3	14¾	13¾	13¾	
TcCom		109	9⅜	9¼	9⅜	+⅛
Tchinc s	.03	61	7½	7	7¼	
Telco		245	17½	17	17¼	
TlcmA	t	158	23½	23¼	23⅜	+⅛
TelPlus		1169	12½	11¾	12	−½
Telcrd		14	9⅛	8⅞	8⅞	−⅛

Stock		Sales (Hnds)	High	Low	Last	Chng
VLSI		1614	11½	10½	11¼	+¾
VMX		120	10½	10¼	10¼	−¼
VSE	.16e	20	10⅞	10⅞	10⅞	−⅛
ValidLg		235	16⅜	16⅛	16⅛	−⅛
Vallen		5	17	17	17	
ValFSL		198	16¾	16¼	16¼	−⅝
ValNtl	1.20	777	34⅜	34⅛	34⅜	+⅛
Valtek	.08e	12	6	5⅞	6	+¼
ValLn	.40	830	25	24½	25	
VanDus	.40	219	13½	13¼	13¼	−¼